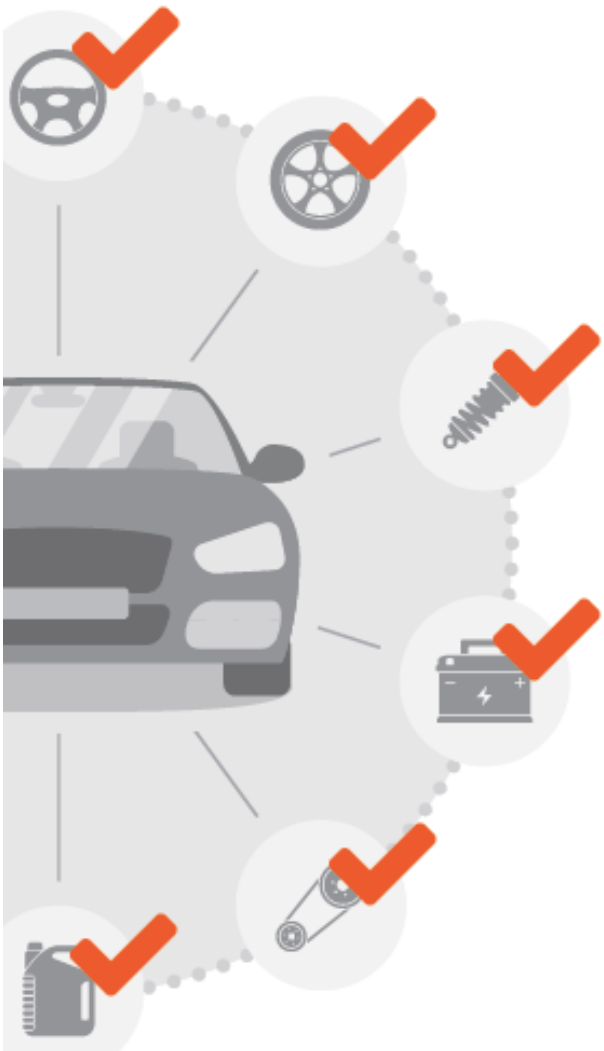
HOW TO ESTABLISH A TIME TO MARKET CULTURE

You can't improve what you can't measure

If your team is still using a spreadsheet, a whiteboard or google docs to track and manage reconditioning, your process leaks time and money that's wrecking retail gross and inventory turn. A Time-To-Market culture measures every step, process, and labor input to get vehicles frontline ready in three to five days. Run by the numbers, your recon department can be the profit driver you need it to be.



Dear Dealer & GM,

For too many years the reconditioning department has been cursed, ignored, and perceived as a necessary problem.

No more.

Today's reconditioning operations managed within a Time-to-Market culture are productive and profitable – and true generators of gross and customer satisfaction!

GMs and their used car managers who operate this important function using monitoring and measurement tools get cars to retail faster, drive more gross to their bottom line, and increase inventory turn – often up to two times!

Those are eye-opening outcomes that dealer principals and their GMs increasingly ask, "How can that be?" This eBook explains how.

Dennis McGinn, President
Rapid Recon

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Case Study

Time-to-Market Recon Strategy Gets 600 Used Cars a Month Frontline Ready in Just Four Days for Greenway Automotive

Greenway Automotive, using a Time-to-Market reconditioning strategy gets 600 used cars a month frontline ready in four days.

"We decreased our cycle time to four days from eight, which at NCM Associates' $32 a day per vehicle holding cost calculation is a substantial savings for us across the 600 vehicles we recondition here every month," says Anthony Martinez, Director of Reconditioning for Greenway Dodge/Chrysler/Jeep/RAM and Greenway Ford, Orlando, Florida.

Holding costs erode used car margins, so a faster time to market means more profitable used car operations.

To calculate your holding costs – each vehicle's percentage of dealership overhead - and its impact on their operations, click Holding Cost Calculator. (http://www.rapidrecon.com/holding-cost/).

For Greenway, time-to-market reconditioning workflow software makes reconditioning run like an efficient assembly line, Martinez says.

"A recon department itself is an assembly line, with inputs and outputs," says the former manufacturing quality control manager.

"Something as simple as where you park waiting cars on the lot – and how long it takes someone to find and retrieve them and bring them into recon – impacts how much profit can be made from recon and front-end gross," he says.

Because Greenway management wanted to modernize its reconditioning processes to reduce holding costs and get vehicles marketable sooner for its large Ford and Chrysler dealerships, it made two decisions:

- It turned to a reconditioning Time-to-Market culture, and
- It recruited Iraq War Army veteran and former manufacturing quality control professional Martinez as Director of Reconditioning.

He manages a crew of 50, including 14 mechanics, 27 detail technicians, and administrative personnel in a 30,000 square foot recon center serving the adjacent Ford and Dodge dealerships.

Shave 6 recon days off 100 units & save $19,200 a month, $230,400 a year!*

* According to our 20 Group clients and moderator experts, daily holding cost for the average dealership is $32 per vehicle per day based on franchise and market area. — *NCM Associates President & CEO Paul Faletti, Jr.*

It Takes a Team

GMs having installed Time-to-Market have winning teams behind them to take the reins once the culture is established.

"I spent three years quite involved, as we fine-tuned processes and responded to changes," GM Dunn recalls.

"But I have a great team that handles the day to day – and because most all of them were here, in the beginning, they're all experts in Time-to-Market."

Legacy Auto Network Dealer Principal Hyde tells a similar story of transition.

"My used car manager now orchestrates the process," he says.

"This Time-to-Market culture is the one way we can always be sure the shop is loaded. Everything runs by the clock, which starts the moment a vehicle hits our lot.

"My service manager and everyone who touches vehicles from acquisition to frontline are engaged and accountable for their part of the process and overall results."

Reduce Costs, Flow Gross to the Bottom Line

It's no secret that dealers need to have a healthy used car business to be profitable. The profit window for a used car is about three weeks. If it takes seven days to recon a car that takes the used car department two weeks to sell, the car's value is already diving.

Sluggish and disorganized reconditioning kills used car gross.

Every day you own a vehicle, from the time it lands on your property from the auction or released from your back office, it begins to incur a $32 per day holding cost that continues until the unit is retailed or wholesaled.

For a typical 10-day reconditioning process, holding costs total $320 per unit until it hits the frontline plus every day it sits unsold.

If you recon 100 vehicles a month, reconditioning holding costs also total $32,000. This is money that erodes sale gross – if the sale gross is $2,200, your actual total is sale gross minus holding costs.

"Reconditioning cars isn't as streamlined as setting quality standards on widgets built to specs because every used vehicle has its own story," Martinez notes.

"I can't control what management paid for the trade or whether the used car manager will authorize recommended services. **But I can control the fundamentals of estimating, inspecting and doing the work,"** he says.

"By using Rapid Recon Time-to-Market workflow software, we're standardizing our processes and formalizing each step. **And better communication eliminates time delays and missed opportunities**," says Martinez.

"If the general manager isn't involved in one of the highest profiting departments in the store, you might have the wrong GM."

A Time-to-Market culture driven by your dealership's general manager will improve results throughout your dealership.

Case Study

Ricart Automotive Says Ignoring Holding Cost Erodes Used Car Gross

Auto dealers who aggressively manage the flow of vehicles through reconditioning get vehicles to market faster and reduce gross erosion, said Jared Ricart, Service Operations Manager for Ricart Automotive, who has reduced his used car recon time from 12 days to four.

"We thought we had good insight into how long it was taking us to get vehicles frontline ready, but when we turned on Rapid Recon it showed us we were at 12 days!" he said. **"That long process was killing gross."**

The issue is holding costs and how the right recon processes help reduce them and get vehicles frontline ready sooner.

Holding cost is each vehicle's percentage of dealership overhead, which accumulates from acquisition to retail.

According to NCM Associates' 20 Group clients and moderator experts, daily holding costs for the average dealership is $32 per vehicle per day, based on the franchise and market area," said Paul Faletti, Jr. president and CEO of NCM Associates.

Where dealers, used car managers, and service managers aren't aware of how holding **costs add up as the clock ticks, they're erasing dollars from gross on every vehicle**.

Ricart agreed.

"With Rapid Recon, we found a way to track every step of our recon process. It has helped us fine tune our processes and reduce our time to market to about four days," he recalled.

A look at holding cost arithmetic is helpful. Consider a vehicle retailing for $3,200 in gross. The vehicle was in recon for 15 days and on the lot 25 days before sold. Using NCM's $32 per vehicle/day average holding cost, 15 days of recon accumulates $480 in sale gross erosion. The 25 days the unit was in retail unsold accumulates another $800 in margin erosion – meaning true gross once sold is $1,920 -- not $3,200, a $1,280 loss in actual gross.

By understanding how holding costs erode gross, a parts manager, for example, is better able to decide whether to buy a more expensive part to get the repair done now versus a less expensive part that takes a day or two to arrive.

Ricart said technicians who understand that recon is a production-based service will move vehicles through inspection and repairs faster.

At Ricart Automotive, recon technicians work a three-day week, with the compressed time to earn their hours incenting them to work faster and push more vehicles through their phase of the reconditioning process.

"As a tool for streamlining communications lines between service, recon, and the used car manager, our Time-to-Market culture has helped everyone involved eliminate wait times and work faster toward our common Time-to-Market goal and not point fingers," Ricart noted.

"We thought we had good insight into how long it was taking us to get vehicles frontline ready, but Rapid Recon showed us we were at 12 days! It's helped us refine our processes and reduce Time-to-Market to about four days." - Jared Ricart, Service Operations Manager, Ricart Automotive

12 days!" he said. **"That long process was killing gross."**

Sharpen Time-to-Market Even More

1. **Speed repair approvals:** Improving communication between recon and the used car manager can reduce bottlenecks. Inability to get a work order approved by the used car manager can delay the start of work from a few minutes to a few hours or more.
2. **Set spend preapprovals:** Giving recon some level of authority to proceed with needed work without used car manager approval can keep work flowing uninterrupted. Consider assigning repair dollar "buckets" for vehicles of varying mileage – low, medium, high -- based on the mileage and repair averages of the vehicles you recon.
3. **Structure phase times:** Set a time frame for accomplishing specific types of work. Vary times based on the condition of the vehicle. Monitor times and hold staff are accountable for adhering to them.
4. **Compensate for vehicle completion time, not per vehicle:** Focus compensation on a production-based measurement. A specified completion time window per vehicle will stimulate parties involved to work smarter and harder to move units through recon in fewer days. Consider spiffs for meeting goals; when considering spiffs, remember the larger picture – reducing holding costs, and turns that improve gross.
5. **Equip for quality and manage by the clock:** Make no allowance for less quality work, but beware of tendencies to over-condition. The additional recon cost is rarely recouped and often contributes little to the vehicle's sales-ability. Pay attention to visuals such as dings and dents, scuffed wheels, cracks and chips in glass, and other blemishes that will catch a buyer's eye before any mechanical issues might.
6. **Get training**: Specifically on the use and application of the reconditioning software you use. Preferably, this training is done at your site, driven by an experienced performance manager. Then, continue to reinforce best practices applications through team meetings and the review of performance reports.
7. **Use report data:** Measure each step within your recon process to establish new targets and to monitor and forecast progress.

Successful cultures embrace best practices:

1. Pull your management team together to look at live systems using GoToMeeting. Consider the system's flexibility to work within your processes and make them better.

2. Talk with dealers practicing Time-to-Market and, if it makes sense to do so, invest in a road trip to learn from others and see their processes live.

3. Request a qualified process-performance technician to help you design a system that supports your Time-to-Market objectives.

4. Assign ownership of every step of the recon processes within this new workflow.

5. Provide mobile and desktop tools, notifications and reports that make these individuals 100% responsible and accountable for making sure at the end of every day every car is in the right step.

6. Apply Time-to-Market best practices first to Inspection, mechanical, parts, used car manager approval, detail and photos. Body shop, vendors and handling open safety recalls will all have a weighted impact and need to be considered.

7. Best practices dictate that combination of mechanical (including inspection and parts hold) and detail must be two days or less. The body shop will likely add another day to 35% of your cars, taking 4.5 days average.

Lean Manufacturing Processes Can Modernize Reconditioning

By definition, time-to-market is the sum of time a car is owned by a dealership but not yet reconditioned and available for customer viewing.

This series will discuss TTM and other measurable key performance indicators adapted from modern lean manufacturing principles. The goal is to help Fixed Ops Directors and Service Managers deliver a more efficient, frictionless — and profitable — reconditioning service to their dealership's Used Car Manager.

Lean manufacturing, the foundational principle for workflow improvement, describes a discipline that seeks to remove waste from processes. Workflow practices seek to smooth out reconditioning disruptions, bottlenecks, and communications snags and delays.

A Service Department whose reconditioning services uses TTM disciplines can reduce reconditioning to four days or less.

Here's how:

- Streamlined workflow processes increase recon volume without diminishing reconditioning quality.
- Recon staff working to production and time goals are more efficient, helping reduce recon days from a more common (but costly and thus unacceptable) 10 to 15 days to just four days.
- Improved communications between Service / recon and the Used Car Manager speed mechanical approvals, keeping workflow in motion.
- Each day shaved off reconditioning equals a specific dollar cost, called a holding cost, that otherwise is charged against "sold" gross. More productive recon services are more profitable for the Used Car Department.

Stop the Margin Dive

It's no secret that dealers need to have a healthy Used Car business to be profitable. The profit window for a used car is about three weeks. If it takes seven days to recon a car that takes the Used Car Department two weeks to sell, the car's value is already diving.

Since most dealerships operate on the 60-day turn rule to force a car to be wholesaled, there's an illusion that this three weeks (one week in recon and two weeks on the retail lot) is actually eight weeks. But the reality is that a car becomes stale after being marketable online (your first TTM goal) at three weeks.

The point is, used inventory must be managed by metrics — the numbers — because each day a vehicle is not sold, dealership holding costs (a percentage of overhead attributed to each vehicle acquired by the dealership) erode true gross.

For clarity on this, it can be helpful to look at how CarMax manages its inventory. It maintains daily activity information on every car, with managers reviewing pricing on those units that have not been demonstrated after only one week. The idea is to adjust the pricing to make any such units more marketable to move them to "sold" and out of inventory.

The point is, every process must drive to maximize margin.

Even without the recon burden, the Fixed Ops Director and Service Manager are challenged to increase Service drive demand, maintain Customer Satisfaction Index and incentivize Service Advisors to upsell Service work. Now add in recall demands that take production focus off customer-pay work, and these additional pressures dilute margins.

So given that reconditioning is not usually what the Fixed Ops Director or Service Manager thinks of as a first priority — and the Used Car Manager, to the contrary, is convinced that is Service's only responsibility — there's an imbalance between these departments' perceptions and urgency about getting trades processed through Service immediately.

This imbalance can be a thorn in the side of the GM who has to manage both businesses.

Traditional Processes Don't Work

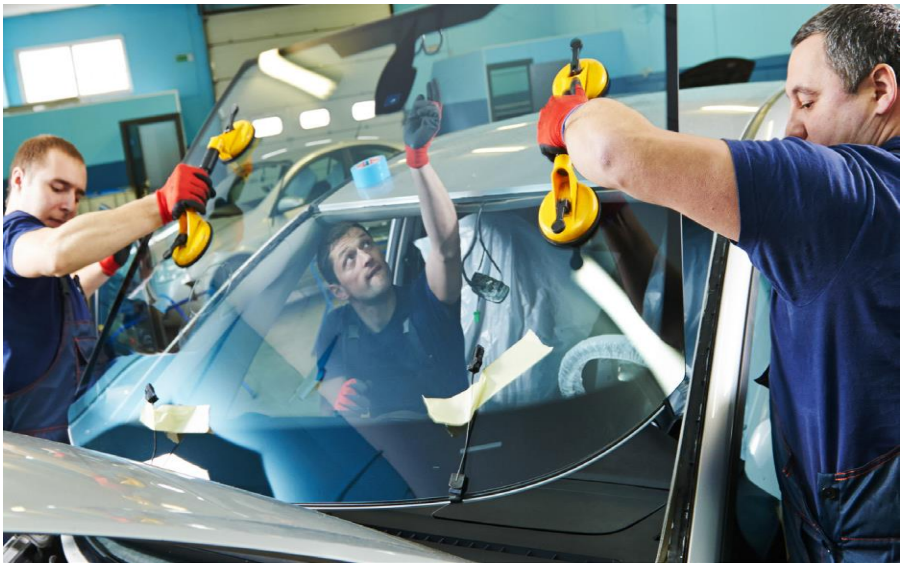
Fixed Ops is where most of the recon cost resides within the TTM challenge. When citing TTM best *practice* metrics, I'm drawing here on hundreds of live reconditioning TTM software systems in use at those dealerships, which have processed more than 1 million cars.

Admittedly, best practices also rightly include trial-and-error observable knowledge; that is, experience gained by standing in Reconditioning Departments observing both excellent and self-defeating practices.

The best practices discussed here also are validated by consistent performance across the top tier of these dealerships.

When it comes to reconditioning, Fixed Ops on any given day is often called out as the bottleneck that keeps the Used Car Manager from having enough cars to sell. The blame, more often than not, is the process (or lack of process) used.

In most Service Departments, the approximation of recon cycle time is a spreadsheet of some sort — an actual spreadsheet or whiteboard likeness of it. Unfortunately, almost no one really believes the spreadsheet data is correct, but for a number of reasons it lives on with the belief that "it's better than nothing."



However, spreadsheets are static tools in an increasingly dynamic environment. They are, therefore, no longer the right tool (if they ever were) for measuring and managing reconditioning.

One problem with any static production tool is that it's difficult to share, in this case with the Used Car Manager. A technology-based workflow tool that provides the Used Car Manager and the Fixed Ops Manager — simultaneously — with key reconditioning status information eliminates the imbalance in information about vehicles in reconditioning and eliminates finger-pointing.

Workflow Improves Outcomes

Until 2011, the spreadsheet or a shared Google document were the only viable workflow tools for managing reconditioning. Then, the idea of using real-time workflow technology, a proven production tool popularized by Toyota, brought exciting new advantages to vehicle reconditioning.

Here's how this technology can increase recon productivity and reduce its costs:

- It defines the work that needs to be done to achieve a specific outcome, clarifying processes and procedures — and who does what, when and how.
- It identifies key steps in a process and which if any can be eliminated to speed workflow and remove costs.
- It assigns people having the right skill sets to specific task assignments to ensure efficiency and quality.
- Relieves management of focusing on tasks to manage more strategically.
- It builds rhythm and flow into work, and confidence in those challenged with turning out higher production at less cost.

Thus, reconditioning processes driven by workflow software provide the capability missing in a spreadsheet – real-time, mobile integration of time-to-market metrics for every car along every step.

Now every individual responsible for some aspect of getting vehicles front-line ready (including Technicians, Detailers, Photographers and Vendors) can interact in real-time

through their smartphone, making it easy for them to show how efficiently they are performing their work.

This also means the Used Car Manager now has real-time status data on a desktop, tablet or smartphone to know precisely where inventory is in the recon process and when it will be frontline-ready.

Workflow is the perfect productivity tool because it incorporates existing processes by linking them all together as a set of interdependent steps with their required actions, yet is responsive to process changes when needed in a matter of minutes.

Implementing a properly planned workflow system with the help of a qualified process performance manager can provide:

1. Immediate bottleneck relief
2. Excessive cost relief
3. Positive accountability
4. The foundation for time-to-market workflow optimization (the discussion coming up in Part Two of this series).

Reduce Recon to 3 to 5 Days

One well-worn phrase I hear from Fixed Ops Directors and Service Managers is, "a system is only as good as the people using it." This is a valid reaction to change, especially when prior change efforts based on attempts to improve efficiency and accountability in reality created more work and failed the test of adoption.

For instance, there will always be the one unyielding individual clinging to their flip phone, if you will, who just does not want to be connected, no matter what.

However, the vast majority of people working for you are capable of and will embrace change if it makes their job easier and holds everyone to the same standard. In fact, everyone who has been able to evolve to the brave new world of texting is already fully qualified.

A Service and Reconditioning Department committed to a faster TTM goal should be able to manage recon at a four- to five-day level. Some exceptional stores are able to operate in a three-day range by keeping Service at a four-hour average and detail / photos to an eight-hour average.

To consistently and verifiably deliver these metrics, there must be an accurate measurement of all vehicles as they complete each step all along their way to the front line.

To achieve a consistent four-day recon cycle Service, Parts, Detail and Photo need to be completed in three or fewer days. That leaves one day for bodywork, off-brand recall and warranty work and any specialty sublet work. Vendors who take care of wheels, glass, bumpers, interior and PDR can do their work in parallel or even on the front line.

Used Car Approval

An efficient recon operation starts with the Used Car Manager releasing trades or cars arriving from auction or program buys, followed by the taking of three to 10 initial photos to capture any early customer interest. Not all dealers do this on the front end, but most do, which puts pressure on recon to get the cars to the front line.

Depending on the size and structure of the dealership, there may be an Internal Service Advisor, a Service Manager, a Recon Manager or an Inventory Manager responsible for the Repair Order (RO) process and the completion of all approved work. The next step is a mechanical inspection in which a Technician creates an RO for recommended repairs.

0	All	38
1	In-Transit	2
2	Initial Pictures	
3	Waiting for Shop	4
4	Service Matt	2
5	Service Shane	2
6	Service Wallace	1
7	Main Shop	1
8	UCM Approval	1
9	Warranty Work-Off-S	3
10	Spec Parts Ordered	1
11	Body Shop	2
12	Detail	3
13	Final Pictures	
14	On Front Line	16

One crucial element when performing at this level is Used Car Manager approval. In some dealerships, the Used Car Manager approves every car. Others, to sidestep the need to get approvals for every purchase, have moved to a process permitting recon to spend an amount, often $500 or a per-mile amount, under which the work is pre-approved.

The "Best Practices" for approval is now only 10 minutes, which is accomplished by texting notifications to the Used Car Manager. These approvals likewise flow through a mobile website where, to whatever level of detail may be necessary or is listed, the Used Car Manager can make decisions without having to stop what he or she is doing or even having to flip a screen in order to give the go-ahead response.

Once approval is received, parts can be pulled or ordered and the mechanical work completed more quickly. If a car requires warranty or recall work that cannot be done in-house, the work is sent to that make's dealership.

Mechanical is almost always completed first in most reconditioning workflows, with Body Shop when needed done in-house or subcontracted, as are PDR, glass, interior, bumper, wheels and, finally, detail and a full set of photos.

FIXED OPS HAS THE IMPORTANT ROLE IN GETTING PARTS AND SERVICE OPTIMIZED — THAT'S THE FIRST ORDER OF BUSINESS IN ANY EFFICIENT RECON OPERATION.

Fixed Ops' Key Role

Fixed Ops has the important role in getting Parts and Service optimized. That's the first order of business in any efficient recon operation.

Any dealership that's reconditioning 70 or more cars a month should have dedicated Techs for mechanical recon — even if only two, with the main shop as overflow. With several Techs (and using workflow as shown below) each can have from two to five cars in process so there's always a car to work on even if parts for some cars are not in stock.

Best practices averages for mechanical should be in the four to five hours range per car, but physical limitations and brand need to be taken into account. High-line, brand-best practices are higher as are departments processing a high percentage of certified. These operations may need to push mechanical hours to 10.

The two most important factors in any effective recon system are its ease of use by individuals using the tool and balancing the workflow, starting with Fixed Ops, where most of your recon cost occurs. If you get this right, a consistent three- to four-day TTM average is within reach.

Next time, we'll take a look at other examples of high-performing recon operations, how they got there and how they stay in the top tier.

Dennis McGinn is founder and CEO of Palo Alto, CA-based Rapid Recon, the industry's most-advanced time-to-market (TTM) reconditioning workflow software for auto dealership reconditioning and used car departments.

Rapid Recon is the uncontested leader in Time-to-Market strategies and reconditioning workflow software.

We bring the structure, accountability, and management insight auto dealership general managers need to reduce recon costs and get vehicles frontline ready faster to increase turn, improve sale grosses, and help the dealership improve throughout.

We invite you to learn more by taking a few minutes for a lively and informative demo – and to calculate your holding costs based on your known Time-to-Market metrics, whether your reconditioning is bringing value or waste to your used car operation.

- ✓ Holding Cost Calculator Demo
- ✓ RapidRecon
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- ✓ ***stevelewis@rapidrecon.com***

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Run by the numbers, your recon department will be the profit driver you need it to be.

Call us today.

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