

Case Study: Toyota's Analysis and Reporting Capabilities Shift into High Gear

For Toyota Motor Sales USA, dealership performance analysis is critical to growing the bottom line, given fluctuating market forces, complex pricing models and significant movement of high-ticket inventory. An antiquated legacy system and labor-intensive, paper-heavy processes were greatly hindering access to data and reporting, however. With 1200 Toyota and 200 Lexus dealerships in the continental U.S. accounting for about two-thirds of Toyota Motor Corporation's total worldwide revenue, implications were significant.

Analysis Team delivered a completely automated, robust Business Intelligence solution in less than half the time and for one-sixth of the cost originally projected internally by Toyota, delivering huge on-going benefits:

1. Easy, immediate access for all users to comprehensive dealer performance information and elimination of highly manual processes.
2. Dramatic cost and time savings:
 - Mainframe printers used only for printing financial statements were retired.
 - Labor and administrative costs associated with headquarters staff processing, printing and mailing ad hoc reports were virtually eliminated.
 - Time savings and productivity increase that enabled headcount redeployment of 2 full-time headquarters employees, and an estimated savings of 2 person-days per month in each of 16 regional offices (approximately 1.5 "full-time equivalent" staff).
3. Improved dealer financial performance resulting from leveraging analytical capabilities of the application.
4. Ability for all users to conduct ad hoc reporting and analysis. This fosters fact-based decision making company-wide and frees up staff to focus on driving growth, rather than collecting and re-keying information.
5. Standardized and pre-calculated complex key performance indicators, reducing time and errors.
6. Improved data accuracy (legacy mainframe system had continuous data reliability issues).
7. Flexible system to meet evolving business needs.
8. Minimal time and attention required by Toyota's Information Systems department for maintenance.

Background The dealership network is the primary sales channel for Toyota Motor Sales USA. Given the importance of its franchised dealers, Toyota has a Retail Market Development (RMD) department dedicated to measuring and improving their financial viability and overall business performance.



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The legacy process and systems were laborious and paper-intensive. Detailed dealer financial statements were available through Toyota's mainframe system, but producing reports required using a cumbersome mainframe interface, and only one statement could be printed at a time on a dedicated mainframe printer. In addition, comparing dealerships on key performance indicators required tremendous manual inputs.

Significant limitations included:

- Different source systems for several critical performance measures, such as vehicle unit sales, market share and customer satisfaction scores, requiring them to be manually keyed into reports.
- Need to manually calculate common financial ratios, taking time and risking calculation errors.
- Inability to track specific dealer performance over time on the same report.
- Inability to compare dealers on the same report.
- User access to only the most basic standard reports, requiring RMD staff to constantly research and process individual information requests and mail ad hoc reports to requestors.

The new application had to be able to receive financial data from the IBM mainframe and other sources, aggregate the data and calculate standard performance indicators automatically, while accommodating differences between the Toyota and Lexus Divisions. The application had to be compatible with the existing network, use local laser printers, and be simple to learn and use.

Toyota selected Hyperion® Essbase® to provide headquarters and regional staff access to critical information for analyzing dealer performance. They then selected Analysis Team to assist them with design and deployment of the custom Essbase application.

The Results In the first phase, applications were designed that provided detailed dealership financial statements for both the Toyota and Lexus Divisions. The second phase delivered other performance measures beyond financial metrics, providing the ability to benchmark dealerships and do scorecard-like reporting on them, for each division. Automated processes update the applications from the IBM mainframe and other sources as soon as new data is available, keeping information current.

The applications give Toyota significant advantages in monitoring and managing dealer performance:

- Comprehensive financial statements enable users to easily drill down financial and operational performance data to a detailed level.
- Pre-calculated standard key performance indicators remove possibility of manual error. For example, ROI, ROE, retail sales per salesperson, absorption percent, advertising expense per vehicle sold, lease penetration, debt/equity ratio, etc. are calculated within Essbase.
- Trended individual and aggregate dealer performance by every key performance dimension is available from 1994 to present time. Reports can easily be run across multiple segments as defined by the client (e.g., district, region, Primary Market Area, sales volume class, ownership group, etc.).
- Dealer comparisons can be made on all key statistics, for example, dealer profitability, new vehicle sales by model, customer satisfaction scores, sales efficiency ratios and market share.



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- New business data and calculations can easily be added by users as needs change over time, with minimal assistance from the IS department.

Convenience and information accessibility make the applications very feasible to incorporate into everyday management practices:

- Report “wizards” greatly simplify user ability to generate reports, enabling point-and-click creation of pre-formatted financial statements and various standard reports.
- Users can also quickly create their own templates and ad hoc reports through Excel, giving them flexibility and quick access to information as particular business needs arise. Such reporting and analysis were previously difficult, time consuming, or impossible.
- Graphic performance summaries are published directly from the application to a website for internal communications.

Demand for this information and interest in access to the Essbase application have grown to over 350 users, far beyond Toyota’s original estimations. While the application was designed for use by RMD staff and those who interface with the dealers on performance management issues, other departments, including Customer Service, Facilities, Certified Used Vehicles, and Toyota Financial Services, gained access when they realized the value to their operations.

This extension of the user base has delivered great results, for example, for the Used Vehicle Operations Department. Use of the application provided analytical capabilities that helped them demonstrate higher margins and faster inventory turns on Toyota certified used vehicle (TCUV) sales. “This analysis wasn’t even possible before the Essbase application,” says a Manager in Used Vehicle Operations. “This helps us present a powerful message to get dealers on board with the TCUV program and expand their participation in it.” As a result, Toyota Motor Sales USA and individual dealerships are realizing higher profits.

Overall, Toyota has realized substantial value from the project. “The application developed by Analysis Team is now used globally which allows the local user to retrieve his own data,” says Karyn Bolger, Dealer Information Manager in Toyota’s Retail Market Development group. “This has freed up headquarters resources to pursue other initiatives. The ROI has been very positive.”

Analysis Team delivers high-return Business Intelligence solutions. Analysis Team, Inc. develops customized, automated solutions that significantly improve business performance analysis, management reporting and planning, to drive financial growth. Our real-world experience in business, technology and project management helps our clients to maximize value from their business data and existing information systems.

Analysis Team’s consulting services include Business Intelligence assessment and strategy, software evaluation and selection, complete application design and implementation, and knowledge transfer to client staff. By focusing on the unique needs of each client, Analysis Team provides objective advice and delivers practical solutions that achieve clear return on investment.

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