



21 Ways To Improve Tire Profits: Part II

By Chris Frederick



In this issue:

Upcoming Classes 1
Tire Profit vs Service
Profits: Part II..... 1-2
Efforts Above 2
Car Count Strategy.... 3

Sam's Corner:

Superconference
Lodging Information... 4
Seven at the Top..... 4



In the last issue, we described eleven of the twenty-one tire business key performance indicators. Remember, a key performance indicator, "KPI" for short, is a way to measure your people's performance without being there. If you don't measure it, you can't manage it. Even though many dealers know and agree with this important business concept, most don't measure their business daily. You can fix your business problems with profit & loss statements (they are historical documents!) but you will be about sixty days late (sixty days of lost profits). Why wait that long? It could put you out of business! Measuring KPI's weekly is the way to fix problems before they cost you money.

More competition and longer lasting product compels us to take advantage of every opportunity to hold profit margin. Now is not the time to resist change or carry old, misguided belief systems into an increasingly unforgiving marketplace.

Tire Profit KPI's 12 - 17:

#12 Add on balancing sales

can increase profits on both new tire sales & free rotation visits. Ask customers who are buying fewer than four if they would like to balance the others as well. Remind them "It will help them last longer and give you a better ride." Get the balancer spinning more frequently on free rotation visits, too. I have seen a few smart tire dealers offer free balance checks with the customer's authorization to balance any that need it. I don't have to tell you how many will need it! Even asking for pre-authorization of a \$49.95 four-wheel balance is easy when you assume the sale on the vehicle drop. The goal for this KPI is 75% of service car count. I am also a believer in road force balancing to handle the more difficult tires. The profit is good but, more importantly, it makes you a stronger competitor. Last but not least, if you are selling two tires remember to offer balancing of all four to maximize revenue.

#13 Add on alignment

sales is measured as a percentage of tire unit sales. The goal is 25%. Alignments themselves are not a huge profit item considering a technician's tax and benefit load. And, we compete with mass merchandisers who offer it as a low-price menu item to increase their car count. Fortunately, many of

Hunter Engineering's innovations have enabled B-level and even C-level technicians to do them.

We all know the real money is under the car. Focus on the average repair order (ARO). We look for an ARO of \$250.00 to ensure the technician is not just setting the toe and letting it go. Remember... you can't expect what you don't inspect.

#14 Tire protection plan costs (warranty) Since the majority of our tire clients are self insured, it is imperative that you track the cost of goods on this service. The average cost is 2% of total retail tire sales, including replacement units.

#15 Volume rebate money from suppliers can be used for marketing & advertising, spiffs, even manager bonuses. I learned the value of this KPI when one of my largest clients told me he was unwilling to give up even one tire sale to increase his service business. Rebate money can be a very lucrative profit source.

#16 Courtesy check (CC) percentage is calculated by dividing the number of completed courtesy check forms by the number of vehicles serviced in the tire bays. It is typically a 30 point check created by a senior technician who teaches the



Upcoming Courses:

Shop Owners

November 6-8..... 1
November 29-Dec. 1 . 1
December 11-13 1

Service Managers

November 9-10..... 1
November 13-14..... 1
December 4-5..... 1

Advanced Shop Owners

December 7-8..... 1

Annual Advanced Owners Class:

January 18-19 1
Scottsdale, AZ

Continued on page 2

Continued from page 1

others how to do it. You have to manage the process and measure the results. The goal is to perform CC's on 75% of cars in an independent service center with stable car count. In a tire dealership where car count is generally less stable, we find 50% is a good goal based on feedback from hundreds of tire dealership clients each day. If your guys only do a visual when they have time, then your inmates are running the asylum and you are missing tons of money!

#17 Courtesy check add on sales We look for \$225 ARO in a tire bay though many successful dealers are even running \$350 to \$400 per car. Our experience teaching thousands of service advisors each year proves to us the business is there, but most shops close the hood on it every day! If your people are trying to get cars out the door as fast as possible, you're missing very profitable add-on sales. More important than even the money, you are demonstrating that you don't really care about taking care of your customers' cars; that if they want total car care, they had better go to the car dealer who will ensure their safety by checking the car from top to bottom. Some technicians cherry pick cars for only the work they are interested in. Continue to behave this way and your car count will drop like a rock, especially with your women clients.

Whether you buy into my KPI's is not as important as whether you measure your business performance to find the black holes. If you don't measure it, you can't fix it. Start measuring now and we'll finish KPI's 18 – 21 next month. YOU CAN DO IT!!!!



Efforts Above and Beyond

By Brian Canning



If I were to mention Maximo Yabes or Rocky Versace or even Euripides Rubio it is very doubtful that you would have heard of any of them. In every case their accomplishments are very noteworthy, but it was only in death that we recognized them. Their efforts were worthy of honor but none of them lived to see fame, fortune or recognition for their actions. I am very confident in saying that none of them would have changed a thing about how they lived their lives and how they are remembered.

Our job, as leaders, is to accommodate our customer's service and repair needs and to look out for the welfare of our employees. As basic as this sounds, and as often as we claim to adhere to these standards or principals, we rarely achieve them. Too often in the search for profits, we lose sight of what actually drives our business and forget what assures our long term viability. To put it simply, we begin to see our customers as revenue streams and our employees as tools.

I have an exceptional client out West who is absorbed with providing his customers with extraordinary service and matches this with heartfelt care and concern for his employees. He goes to great lengths to educate, train and set expectations for his employees so that his customers always receive exceptional service. He is rewarded with a very reliable customer base and very efficient, courteous, professional employees and loyalty from both groups. He suffers very little turnover and is rewarded

week in and week out with reliable car count, strong sales and very high tech productivity. This client communicates every day, in every conversation, that he loves his customers and that he loves his employees and thereby reaps a huge benefit each day.

As business owners, as leaders and as managers, we have the opportunity to make our work environment exceptional. In every procedure, in every communication, in every standard, we can demand excellence or settle for the ordinary. We can provide a work



environment that promotes initiative and appreciates hard work or we can do something less. Effective leadership and good communication will go a long way toward setting the tone and determining what kind of shop we operate. A little thought and a lot of attention to detail will make your business everything you ever dreamed of but more importantly, will make it a place where customers love to come and employees are happy to work. What kind of shop will yours be?

When I go into a shop I always watch to see how willing employees are to go above and beyond in their daily activities and how willing they are to show initiative. Owners and managers that empower their employees and allow them to use their knowledge and experience in solving problems and in addressing a customers

needs very often benefit from the trust and respect implicit with our loosening the reins. I think it is very important to have a very specific job description and for us to set explicit expectations for performance but there are always situations that fall outside the norm and circumstances that we just never thought of. Encouraging our staff members to be solution oriented and providing them with an environment that encourages creativity and initiative will go a long way toward making your shop one of those very special businesses that rarely has staffing problems and enjoys a very reliable customer base. Our being flexible and willing to allow our employees to use their own judgment does not lessen responsibility or accountability but rewards the reliable performance we have seen over the preceding weeks and months. We must continue to enforce standards and ensure that our customers are being taken care of and that we are exceeding their expectations. Allowing staff members to spread their wings and use their own judgment is encouraging their growth and communicating our confidence in them. There will always be a few hard heads that cannot handle freedom and need constant supervision, but many employees will thrive, prosper and be motivated to new heights in their efforts.

We have the opportunity to shape our business through the perceptions of our staff members and through our customers. In the case of our customers we cannot only do

ATTENTION SHOP OWNERS AND MANAGERS:
If you have something you would like to share,
e-mail your coach or ATI at
office@autotraining.net.

everything possible to make their experience exceptional but we can also be seen and heard in the effort. If we go to extreme lengths to make sure a repair or service is correct, let your customer know all that you did and why. Let them know that you appreciate their being your customer and that you appreciate the confidence they show in you with every visit. Elevate the relationship to the extraordinary and benefit from a lifetime of loyalty. I can assure you that these customers will be willing to forgive your occasional mistakes and missteps because they know that in the big picture, you are among the very best, you genuinely care, and you always try to serve their needs.

Happy customers serviced by happy, motivated employees would seem to be an assured recipe for success. It requires hiring the right kind of employee, setting expectations for excellence and being unwilling to settle for less. Paint the picture, create the vision, live your dream. The tenacious pursuit of excellence is time and effort well spent.

And who were Maximo, Rocky, & Euripides? They were each exceptional Americans posthumously awarded the Congressional Medal of Honor "for conspicuous gallantry and intrepidity in action at the risk of his own life above and beyond the call of duty." Each willingly sacrificed himself for something or someone else. Each willingly laid down his life for a buddy, or the team or the cause. Though most of us never knew them, we are all better off for their having been among us.

Consistent Car Count Means Being Proactive

By Geoff Berman



If you haven't done it yet, the time has come to implement the **marketing calendar!** You can find it in the front of your Shop Owners Book Part I. If you can't locate it, ask your coach and they will be glad to email it to you. Far too often, when I hear clients complain of car count issues, I find that they have not yet implemented this very important tool.

You must take a proactive approach to marketing if you want to increase and stabilize your car count long term. If you wait until you need cars, it is simply too late. **The marketing calendar will help you forecast & plan your entire year,** and hold you accountable to do what you have planned. In this way, you will be able to stay busy and slowly improve those peaks and valleys that you see in your day to day, week to week, and even year to year car count.

The problem is that when we have cars we typically don't see the need to spend time on marketing. Unfortunately, this mind set simply exacerbates the problem...all of a sudden you are slow because you didn't "have the time" when you were busy to send out those reminder cards. We took it for granted that we would stay busy and then, the "uh-oh" cycle continues and we are low on cars. Again, we are looking for that quick fix to generate traffic. This is a reactive shop, one that relies on their customers to come in without doing much to ensure that they do.

We need to create more proactive shops and this is where the marketing calendar

can help. This does require a commitment, but if it is done correctly, it does work like magic. So, I want all of you to blow the dust off your CD's and start planning for next year. Your calendar should include a minimum of the following:

1. Oil Change reminders
2. Maintenance reminders
3. Recommended Service reminders
4. Appointment reminders (phone & mail)
5. 3 month dental appointments
6. Follow up phone calls
7. Taxi certificates
8. Referral program
9. VIP discount cards
10. Data mining for lost customers
11. At least 1 holiday card,
12. Birthday cards
13. A minimum of quarterly discount flyers to existing customers
14. CSI at least twice a year.

Yes, there is a lot to do, but the payoff is big in the end...I promise!! The key is consistency, and that means organized planning. To have a consistent car count you have to have a consistent marketing plan. It is equally important to measure these strategies to see what is working and what is not working. We will get more into measuring at a later date; for now just make sure that your service advisors are asking new customers how they found you, and then track it in your computer.

Now is also the time to prepare your holiday cards. This is one of the best ways I know to bring in business during what is typically the slowest time of year for most of us. I have seen holiday cards get as much as a 45% response for some

clients. Ask your coach to send you some examples of holiday cards, find them on line or, if you have the right equipment, make them yourself. Companies like Customer Link or Mechanic Net will do a holiday card for you. When choosing your card, keep this in mind:

1. Make sure the card is one that you would not mind seeing displayed in your home.
2. Include a simple, thoughtful message inside.
3. Try to stay away from Christmas or Hanukkah cards if you can. Make it a holiday card. This way you can appeal to everyone.
4. Include two \$10 gift certificates with a 3 month expiration
5. Sign the card yourself, or have your service advisor sign it; the personal touch makes all the difference.
6. Make sure to use a live stamp, not a postal meter
7. Send the cards the **week after Christmas.**

If you get started now, you can create a few cards at a time and you will be ready to mail them the week after the holiday. This strategy has worked for many shops and there is no reason why it won't work for you! If you have any questions on how to get started, ask your coach or you can contact me directly at extension 9118. Let's make this our most profitable winter yet!! Good Luck and have a stress-free holiday season!



Sam's Corner: Superconference has 8 Additional Rooms!

By Chubby

Our 2007 Superconference will be the biggest and the best experience you could ever imagine! Over 300 people representing 145 shops from the U.S. and Canada will land in Scottsdale, Arizona for the best 2 days of training ATI has ever presented. The celebration at the Westin Kierland will be the party to attend in 2007 with the most successful shops in the Automotive Industry sharing

ideas with the best of the best.

For those of you trying to work on your business instead of in it, I will be teaching our new Leadership Course for Service Managers & Owners. I believe I have discovered the method of closing the performance gap and training your people to follow you anywhere & doing anything that you ask of them. Harvard Professors of Anthropology have studied the effect that

ancient races had on the death of their leaders. I have learned how to use this power in modern business to enable leaders just like you to obtain and keep the best shop in their neighborhood. I learned a technique this year from professors at MIT and Harvard, which I taught to my CEO Mastermind Group. I have experimented with the technique and I guarantee it will work if you implement the idea. We

will be sharing the process at the Superconference. Many of you may remember the old ATI where we taught acquisition & retention techniques, hoping you could implement your plan. Now we have a graphic designer to create your ad, a database expert to acquire the best mailing list, and a mail house to put your marketing into your customers' doors in just 4 weeks from your request.

Seven At the Top, *Congratulations to All!*



This Month's Winners are:

Jim & Denise Ponte

Ponte's Automotive Inc.
2401 Concord Pike
Wilmington, DE 19803

Mike & LouAnn Pecorelli

Mike's Auto Tune & Tire
1461 North State Street
Provo, UT 84604

Dale Bertram

Fairway Auto
2739 W. Medlock
Phoenix, AZ 85017

Eric & Buck Crawford

Crawford Tire
7015 Arlington Road
Bethesda, MD 20814

Darrin Moncur

Denny's Auto, Inc.
11999 South 1700 W
Riverton, UT 84065

Fred Farris

Paul & Sons Automotive
140 W. Ridgecrest Blvd
Ridgecrest, CA 93555

Ronald Kissane

All A's Automotive & Transmission Repair
1300 S. Poseyville Rd.
Midland, MI 48640

Correction:

In our last issue, we stated that Ponte's Automotive Inc. was located in the city of Dover. Ponte's Automotive is actually in Wilmington, Delaware.



8611 Larkin Road
Suite 200
Savage, MD 20763