

ATI Shoptalk



Issue 6

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Upcoming Courses:

Shop Owners

- December 1-2
- December 10-12
- December 17-19
- January 7-9
- January 21-23

Service Managers

- November 17-18
- December 15-16
- January 26-27

Advanced Service Managers

- December 3-5

Master Mind

- January 15-16

**ATI Superconference
Cancun, Mexico**

- February 18-21



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Chubby's Economic Forecast.



By Chris Frederick



Since we all know the joke about opinions, I have one like everyone else. I have been asked to share my opinion recently, so here goes. I have been through a few tough times since I joined the automotive brotherhood in 1971. (Before I share my opinion, understand that while I am the CEO of a company that mentors 847 independent automotive service centers every week, I had three different colleges ask me to leave and leave I did.) In our industry, we have seen shops doing better & just as many doing much worse. So what's up?

We are now in a recession that will probably not bottom out until the 3rd quarter of 2010. Be prepared for a long, slow recovery and don't get comfortable at the first sign of improvement. The housing market will continue to decline until the 1st quarter 2010 when the entire market will be in the trough and begin to climb out. If you can re-engineer your business to generate cash there will be a lot of opportunities if you wait on them. Disinflation (a decrease in inflation) will take place in 2009 & 2010 with it returning from 2011-13. This will allow you to only have to increase prices slightly to

keep up with your financial model you have been used to. Credit conditions will not improve in 2009 but 2010 will be a good year to borrow, maybe even a good time to buy that building or property you've been thinking about. The U.S. unemployment rate will increase in 2009 which will help you hire some great people that may have been out of your reach in normal times. Plan on the automotive sector to be down for the next couple of years. The good news is with car dealers and many of your competitors going out of business, proactive shop owners can increase market share & repair sales even though the maintenance business will suffer. Re-engineer your management objectives to take advantage of the upturn on the other side of this recession. Lead with confidence and optimism that we can beat this economic downturn.

First, I want to tell you I believe we will be fine in the service business if we pay attention in order of importance to gross profit, margin, average repair order, stabilizing car count and expenses. The toughest challenge for CEO's is to make those tough decisions to stay alive. You must re-engineer your staffing, business and financial model so you can get through these tough times. If you were a military commander, you would have to get use to sacrificing lives so the majority could live.

Many shop owners can't do this or do it too late in the game after it has sucked the life out of the cash flow of the business. I strongly suggest a coach or a mentor to help you through these times if you are famous for reacting to slow. I have two coaches that help me make better, faster decisions because I know I am a softy and will do damage because I am too slow to change. If you or your loved ones have ever told you that you change too slowly, you are in very dangerous territory in this economy. If you have not re-engineered your business for the next two years you have already moved way too slow and have probably damaged your retirement timetable.

Talking about retirement, as of November 1st, you can expect another 10% drop in the S&P 500 before we start back uphill. Since you will read this after this date you can judge my ability to forecast. Expect a very volatile market until January 2009, so just hang in there on your retirement investments. The markets in Russia, France and the Netherlands will be a mess for quite a while. For those of you that have held on to your mutual fund portfolio, don't panic, but do get more defensive and consider some new strategies. There is no great rebound on the other side of this recession, only a long, slow climb out. Rather than buying broad based

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mutual funds, invest in sectors you are willing to hold onto for the long term. In post 2010 year, avoid bond funds as they will be under long term negative pressure. I made this mistake and plan to bail in the 4th quarter of 2009.

Borrow as much money as you can in 2010 because it may get much harder in the following years. If you have no debt now and don't need any money, consider getting a line of credit right now. Banks love lending money to people who don't need it even in times like this. You will pay a small commitment fee annually to have it in place but you may sleep better at night. If something happens to your business plan and you run out of cash, it may be the safety net that gets you through 2010. Shop owners that prepare for this downturn will be able to grow and prosper. Remember, CASH IS KING!!

The action steps I recommend to ATI clients are to go back to basics. Re-engineer your financial model to net 20-30% cash profit. Look at your pricing and check your margins as compared to the last time you set them. Send your service manager to a relationship based sales course. Many managers are being told by the customer that they won't buy anything so they stop trying to even recommend needed items. Re-visit our leadership & financial modeling courses. Attend events with successful shop owners that are being proactive in this environment and succeeding. Our Superconference in Mexico in February is a great place to meet the best of the best & get some quiet time to plan your strategy. Although controlling expenses is critical in a poor economy, don't stop trying to stabilize your car count with retention and acquisition techniques. Send me an email and I will give you a rebated scholarship to a cash profit boot camp seminar near you for a live tune up. Just don't do nothing!

Back Into The Suspension Game.

By Brian Canning



On recent trips to visit clients in North Carolina and Northern VA, I accidentally discovered that as an industry, we are apparently out of the suspension repair business. What I discovered on these two trips and what I have verified again and again in recent weeks is that as a whole, we are confused about when to replace shocks and struts. The result of this confusion is that for all intents and purposes, we have taken ourselves out of the suspension business and unless a shock or a strut is broken or damaged, we are not recommending replacement. This, despite irregular tire wear and customer comments that include 'a rough ride'. In an economy that has our customers holding on to their cars, we are missing huge opportunities for suspension sales simply because we are not sure what constitutes a worn out shock or strut.

My original intention on these trips was certainly not to look at suspension sales. Every once in a while I am allowed out of my cage and I take these opportunities to visit clients in the field. There is no doubt that the sound of air guns invigorates me but there is nothing better for me than watching and observing what a client is doing in his shop and at his counter and I look forward to these opportunities. On these most recent trips, I was truthfully going to assess the inspection process in the stores I was visiting. I quickly noticed that there were issues with shocks and struts. Where nearly every item on the form was checked

in some fashion, very often the shocks and struts were passed over. This was a pattern I noted in several stores I checked in North Carolina, Northern Virginia and now in Indianapolis. We don't know what constitutes a worn out shock or strut and we aren't recommending replacement. With this hands-off approach, we are squandering huge opportunities to serve our customers needs and are missing out on chances to make sales and be more profitable.


For anyone who might be interested, I recommend going to www.motorist.org. This is the Motorist Assurance Program website. They are a coalition of consumer and automotive industry groups who, among other things, set standards for inspection and communication in the automotive repair world. Their entire reason for existence is to educate consumers and to set consistently high standards for repair shops and help all of us know when and why we should do certain repairs and what constitutes a bad part. In various links and attachments, MAP does a pretty good job of explaining why we do the things we do and even encourages regular bumper to bumper inspections. From the MAP home page, click on 'Industry' and then from the list click on 'Uniform Inspection & Communication Standards'. At the bottom of the page, click on 'Excerpts from Selected Issues - Steering and Suspension Systems'. This will take you to a long list of steering & suspension parts, tell you how to inspect an indicated part and describe in great detail what represents a bad part.

Over the past six or eight weeks, I have asked at least thirty

technicians and service advisors at what mileage replacement would be recommended. Most of these industry professionals simply did not have a clue, but among those who answered, I most typically heard answers from 60,000-100,000 miles. The correct answer, which I have only heard once, is actually 50,000 miles, this according to MAP.

In every shop that I have checked, owners, service advisors and technicians all acknowledged that they were a little confused about suspension repairs, but all of them thought that they were getting their share of this business & were making reasonable attempts to sell shocks and struts. Armed with a specific accepted replacement interval, we have seen shops making these presentations double & triple the number of shocks and struts sold when compared to previous months. In a market where customers are choosing not to purchase new cars, they have seen the need and advantage of maintaining their vehicles and this effort will pay obvious dividends in safety, in ride & in driving characteristics. In choosing to hold onto a car, our customers are accepting repair & maintenance as a cost of ownership. Shocks and struts need to be an important part of that effort.

Though the information has been out there all along, we seem to be missing out on a significant sector of our business. I suggest we find out exactly what we are currently doing and redefine our expectations. Educate, train and make sure your people are making the appropriate recommendations.

Suspension sales are an excellent opportunity just waiting to happen. 

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



What Is The Price Of Survival?



By George Zeeks



In talking to shop owners each week, I find that most of them are doing well, but some are struggling and the difference is very basic. W. Edwards Deming once said that “Your business is designed perfectly, to give you the results that you are getting right now”. The main difference between those shops that are doing well and those that are struggling is the amount of emphasis that is placed on vigilance. It is too often that people say “that is just the way it is” when it does not have to be that way at all. I have never understood complacency and have rarely accepted things that I did not like or results that I did not want. This attitude has brought me some celebration but not without a measure of discomfort. The question is, are you happy with the results you are getting and if not what are you doing about it? Those of you who have a “business designed perfectly” can stop reading now, for the rest of us let us press on.

My father was a military man. He was a serious man who loved to laugh. He was a man who never learned to settle for “good enough”. On many afternoon projects I was the victim of his attention to detail and had to redo a multitude of tasks, including something as simple as raking the leaves. I learned that the trees in our yard would wait for me to be done so they could dump a few more leaves, just in time for my father’s inspection. Those afternoon sessions have made me better at my job and in my personal life. My question to you is: are you inspecting what happens in your business? Inspection, supervision and leadership have

to happen everyday if you expect to get and keep the results that you want.

I discussed with a client how the number of alignments performed had dropped to zero. They had done very well in the past but recently things had faded away until the equipment was collecting dust. The owner said that the cars were checking out ok, the customers did not need alignments, and the customers were not having any problems with their cars. The manager



told the same story, all was right in the world, the planets were in their proper places and cars had ceased to need alignments. After all, the shop was doing ok. The owner finally agreed, after much discussion, to review the courtesy checks and personally start re-inspecting some of the cars. Several days later the owner called and was deeply troubled with the results that he had found. His inspections revealed a number of cars that, in fact, had alignment issues and when presented to the customers, they brought forth a host of problems that everyone had ignored because the car was “good enough”. The owner felt that the manager had dropped the ball and allowed the shop to provide sub-standard service. If you are still reading, you know where we are going next. As an owner, you can delegate a task but not the final responsibility. You are ultimately the one who will pay the price when your

staff does not do their job and you do not do yours.

How often do you follow behind your manager and staff to ensure that we are checking the vehicles properly? This is not just to find more things wrong with the cars but to make sure any recommendations are justified and truly needed. How often do we follow up on the cores and returns that may be piling up? Do we check the return slips from the parts house to see if we got credit for a returned part or was it just marked as a core? How often do we check the margins in the business, everyday, every ticket, or once a month/quarter when the latest P&L comes in? Do we even check it then? When was the last time you compared the parts margin from your point of sale system to the monthly P&L? You may find a large difference between the two and have to review the accountability of the parts return process. When was the last time you checked the productivity of the shop or even the individual technicians?

While in the Army, the team that I was assigned to was tasked to teach a block of instruction for an OCS Academy class on Land Navigation. We had completed the ground work required, so a couple of us were asked to help with the range instruction for weapons qualification. It was a very hot August day, and I noticed problems as soon as I arrived at the range. One candidate was on the firing line, having obvious problems, and was on the receiving end of an extremely high volume discussion concerning a possible genetic connection between them and various insect species. The candidate then tried to stand up and with a loaded weapon, began to turn the muzzle of the weapon down the firing line

with a potential for a spectacular accident. I, not so gently, pushed the officer out of the way and removed the weapon and began to check on what was going on. The candidate in question, along with several others, was suffering from heat exhaustion and all of them had been on the line for over 3 hours without a break. I calmly explained to the officer in charge that I was shutting down the range, put the candidates in the shade and required them to hydrate. When I asked why we would keep people on the line, in extreme heat, without a break, the best reply that I could get is that the training schedule dictated what they were to do. Blind obedience to doing things the way you have always done them can lead to less than positive results. Think outside the box and you may be surprised.

The price for survival is the constant struggle to maintain and manage your staff, your customers & the systems that you have in place to get the results that you need to survive and to prosper. You may have the greatest manager in the industry, but without your guidance, encouragement & supervision, they may become complacent and accept what is “good enough”. One person who will rarely accept what is “good enough” is your customer. There is too much competition in the market, trying to attract and keep reluctant consumers, to sit back and continue to conduct business as usual. The consumer is looking for more for their hard earned dollars. They are more careful where they spend their money, what they spend it on and who they spend it with. Will they spend it with you? Is your business designed perfectly to give you the results that you want?



Sam's Corner: Superconference 2009, Cancun, Mexico!

By Karen Dee

Please join us for our 2009 Superconference at the Westin Resort & Spa in beautiful Cancun, Mexico February 18-21. The Westin is an all-inclusive property (food and drinks included), offering spectacular views of the turquoise Caribbean Sea.

Our event starts off with a Welcome Reception followed by one full day of meetings, and then 2 half days of meetings. Half day meetings allow everyone to go out & enjoy their afternoons in Cancun. The many activities include everything from site seeing at Chichen Itza or Tulum

(2 of the largest Mayan sites ever uncovered) to deep sea fishing, swimming with the dolphins, horseback riding on the beach or just sitting by the pool and relaxing. The Westin has the world's 2nd largest living coral reef only a few steps away which is the perfect place to go snorkeling.

We have an exciting agenda with special guest speakers and our Round Table discussions. Make sure you join us in February to learn about the latest industry trends & reunite with old friends and meet new ones.



Seven At the Top, *Happy Holidays To All!*



This Month's Winners are:

John Fowle

691 Auto Care
34801 Chardon Rd
Willoughby Hills, OH 44094

Mike Bennett

Mike's Kars Inc.
940 Old Harrisburg Pike
Gettysburg, PA 17325

Delbert and Gina Tucker

Z's Car Care
402 SW Walnut Street
Hillsboro, OR 97123

John Jindra

Quality Tire Service
7401 Spring Grove Rd
Spring Grove, IL 60081

Gary Hymer

High Tech Automotive
1230 McKittrick Street
Wehatchee WA 98801

Ed Long

Diamond State Tire
3482 Wrangle Hill Rd
Bear, DE 19701

Doug Bahnmaier

Doug's Automotive & Alignment, Inc.
530 Gateway Drive
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