



21 Ways To Improve Tire Profits

By Chris Frederick



My specialty is helping automotive aftermarket shops increase sales and profits on the service side of their businesses. When working with specialty shops, the challenge is always the same. Whether it's tires, transmissions or exhausts, don't hurt the core business!

I've had the pleasure of serving many successful tire companies that have made it very clear to me. "Chubby, I want to increase our service business but not at the cost of one piece of rubber, got it?" This is quite a challenge since most of us sell what we focus on and the more you try to focus on, the greater chance of changing the tire/service mix model. As we discussed last month this can be disastrous to the Net Operating Profit Plan that we based on maintaining predetermined tire units. Since we've proven margin dollars are twice as profitable on tires why not increase both? To accomplish this we must focus on both in the form of Key Performance Indicators (KPI's) viewed daily and weekly.

To accomplish this, we added 7 Tire Key Performance Indicators to our long list

of Service Key Performance Indicators for the front counter focus and owner business model management. Let's begin to review the KPI's with 21 ways to improve tire profits so we can play a successful tire/ service concert.

We have added seven tire KPI's to our list of service KPI's for counter staff to focus on and for owners to use to manage the business. Let's examine 21 ways to improve tire profits so we can play a successful tire/service concert.



1) **Total Unit Sales** is a KPI we measure weekly that compares actual sales to a weekly goal. This KPI reflects how effectively the front line is maintaining the tire/service model as well as the effectiveness of marketing, advertising, scheduling and sales.

2) **Retail Tire Sales Gross Profit** is measured in margin dollars & percentages. Most owners set a goal designed to assure a balance between tire unit sales and service. For businesses without an established goal, we recommend a 27.8% minimum on rubber only, and 37% minimum with add-ons.

3) **Units Per Vehicle** is a sales KPI that measures sales ability verses order taking. Many customers shop for 1 or 2 tires. But with technology considerations like all wheel drive, TPMS, anti-lock brakes and tire overall dimensions, many vehicles need a matched set of four. I recently added a day of tire salesmanship to our relationship selling course to increase unit sales.

4) **Preferred Customer Credit Card Sales** is a key performance indicator. These cards reduce credit card fees, increase customer loyalty, make it easier to sell four tires and help overcome the "no money" objection. In the old days our business was almost recession proof! Today, business is greatly affected by consumer emotion. Since tires and vehicles are more reliable, there is much less pain on the part of consumers. They don't have to buy preventive services and, when things scare them, they want to hold onto cash. Ninety days same-as-cash can help defeat this objection, making the front counter job easier.

5) **Product Mix** of Good, Better and Best tires affects both gross profit margin dollars and percentages. Many of our clients set a goal of 65% of tires sold from the "Better" category. Effective sales training makes it possible to sell a majority of tires in this most profitable category.

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Upcoming Courses:

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September 11-13 1
September 20-22 1

Service Managers

September 14-15 1
September 18-19 1

Advanced

Shop Owners

September 7-8 1

Mastermind Group

September 28-29 1

Annual Advanced Owners Class:

January 18-19 1
Scottsdale, AZ

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6) One of the most important sales KPI's is **Number Of Road Hazard Warranties Sold** as a percentage of tire units. This KPI helps stabilize car count as well as tire profits. At 500 tires a month, road hazard protection can add \$30,000 to an owner's pocket annually. Some tire pricing models include it in the price making it easier to sell since you don't have to remember to ask. Other models, including many high-volume dealers, sell it as an add-on. With car count eroding around the U.S. and Canada, this KPI maintained at 75% of unit sales will definitely stabilize car count. The selling prices I see most often is \$7.95 on passenger, \$9.95 on light truck and 10% of the sell price of tires over \$100. It goes without saying that selling road hazard warranties on 50-series performance tires is a bad idea, especially if your customers enjoy the movie "The Fast and Furious Tokyo Drift."

7) **Cost of Tire Tech Labor**

as a percentage of retail tire sales is an important financial KPI. Calculated with all employee benefits loaded in including uniforms, training, etc., this KPI should average 5-7% of tire sales (compared to a service technician goal of 20% of service sales). Too often, independents who are new to the tire business don't see the financial opportunity in selling tires. A general service tech makes the financial model work for both the tire & the maintenance business.

8) **Incentive Programs** that reward salespeople for selling designated tires can be critical to achieving your tire profit goals. Spiffs can create focus, but you still can't expect what you don't inspect. Creating

sales goals for "go to" tires will help sharpen the focus of sales people who are not money motivated. When compensation plans make our sales people too comfortable, then spiffs don't work. When setting minimum goals, give your sales people a number they can hit, then periodically move it. If goals are set too high, they may feel it is impossible and not even try. Remember, sales people are most motivated to compete with themselves. A spiff that only the best can win will de-motivate the learners.

Also worth mentioning is the value of an established product screen. Successful retailers have one and we



encourage all dealers to work on this as the basis of their tire business. Once established, it promotes greater profitability, better inventory control, and allows you to focus on what you sell the tire for not what you pay for it. We continually tell dealers that beating a supplier for an extra buck on a tire is a waste because many times they pass it along directly to the consumer. If they focus on the product screen and maximizing the retail sales price, they will make far more money.

9) **Finally**, help the salespeople by informing them which are the "go to" tires to sell this month and what the benefits are to the customer.

These are about half the Key Performance Indicators in our tire portal that must work in concert with the service KPI's. Next month we will examine the rest of the KPI's that increase tire profits and control the tire/service mix.

Inspired Leadership... Being Wrong Can Be Right

By John Lewis



My perception is that too often we are concerned with making something perfect and right than getting on with

doing it. We are much better off regretting what we did than doing nothing at all. Most of us have cursed Microsoft for selling us programs that have glitches. Obviously Mr. Gates figured out a long time ago that speed is more important than accuracy (being right) with most things that are not life threatening. Ten years ago if someone would have told you they were going to open a coffee shop and sell coffee for \$3.00 a cup you would have thought them crazy. Can you say Starbucks?

Up until the 68 Olympics, the way to high-jump was the western roll. The jumper ran parallel to the bar and leapt forward rolling over the bar. The record at that time was 5'8". Dick Fosbury set the bar at the unheard of height of 7'4 1/4" took off towards the bar and flipped over it backwards proving beyond a shadow of a doubt that doing just the opposite of everyone else (being wrong in everyone else's opinion) can be the right thing to do. In 1934, Allen Lane of Penguin Publishing, came up with the idea of selling paperback copies of previously published books. All publishers thought the idea was ridiculous and so did booksellers. There was one exception in each category; Penguin and Woolworths. The rest is history. In 1881 George Eastman started a photographic company. Seven years after he opened it he renamed it Kodak. Everyone thought he was nuts. His reasoning was that it was short, no one would mistake it

for anything else, and it would be hard to mispronounce. George was wrong only in the eyes of everyone else at the time. The VW beetle ad's; do you remember the small picture of the 'Beetle' down in the right hand corner of a blank page with the message at the bottom of the page that read, "It will make your house look bigger"? Simple and honest is always better, astonishing and different (wrong) than anybody else will stick with you forever. Even today, most corporations can't think like this, only renegades and entrepreneurs. History and great success is laced with these exceptional "you're wrong" stories.

The message is a simple one; if everyone else thinks you're nuts, you may be onto something, so just do it. If it doesn't work, do something else. If you are going to successfully advertise/market your business you must learn to not follow the herd. If your advertising is like everyone else's you will get the results everyone else gets. In our business, the results most shops get are mediocre at best. Check your competitor's ads & mail pieces & make sure you look nothing like them. If you are going to copy anyone, copy the leader. Better still, Google 'One Show'. You may not have the talent to create your own ads but you can learn enough to evaluate the ad's that a professional creates for you. The most important thing to remember is that slick and professional does not sell. Unique, great offers and honesty does. You only have 3 seconds to get the buyer's attention and hold it. Just do it and you will lead on.

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



The Power of Partnership

Using The Strength Of National Branding

By Phil Baum



Many after-market parts suppliers offer their installers lucrative programs and resources to help maximize

visibility and customer appeal. Are you making the most of these valuable business enhancement tools?

Thomas Watson, former chairman of IBM and the man most responsible for making it the corporate giant it has been for the past few decades, was once asked what he did to make the company big. His response was, "We knew that to become big, we would have to do the things that big companies do right from the start."

Americans like doing business with companies that have an aura of success. They feel a sense of security buying from the big guys. They must be big for a reason. They must be taking care of their customers. Lots of people must like them. If I have a problem, there are a number of levels of management I can appeal to to get my problem solved. Moreover, consumers appreciate the convenience of being able to get serviced in locations across town or across the country.

While the marketplace will never allow it to be "easy" to make it big, you can use big business strategies & resources to elevate your customers' and prospects' perceptions of your place in the market. The bigger and more successful you appear to be, the more successful you are likely to become.

What do successful companies have in common? First, they know who their target customers are: their age, sex, income, buying criteria, & more. They are focused on attracting these customers to their busi-

nesses with marketing that delivers a message the customers will respond to. When these customers show up, they deliver what they promise...on every visit.

Most of us are looking for customers who want quality auto repairs and service performed by people who know and care about them and their cars. And, we want customers who understand the costs of providing that level of service and are willing to pay for it. We know the repair business is shrinking and that we must make up for it with courtesy checks and maintenance services. And we know that women are the most willing buyers of these services. So, how do we get more of our



target customers to visit us? If the appearance of success and size breeds success, how does a small businessperson project the appearance on a budget?

We can start by partnering with a major brand. The airlines do it. Hundreds of regional carriers with the names of major players on their planes (American Eagle, United Express) partner with major airlines to capitalize on their national brand images by serving smaller markets. The 21st century marketplace is full of strategic partnerships that increase visibility and marketability of small companies while adding strength and flexibility to the larger partners.

It works for us as well. Auto parts distribution "Program

Groups" offer to partner with their customers to produce results that neither company can develop alone. These partnerships have names like Auto-Care, Auto Pride, Auto Service Professionals, Certified Service Center. You might be a member of one of them. Not all partners offer the same things, but here are some benefits that could help your business image and maybe even save you a few bucks:

- For starters, the appearance of **signage** on your building that associates you with a national brand increases your visibility and credibility. It suggests that you are a "branch" of a large, known, respected organization that has the resources to provide the customer benefits mentioned above. The cash value of that perception to your bottom line may be hard to measure, but is nonetheless significant to your overall marketing plan. Then, there are the tangible benefits.

- Or, take it to the next level if your partner offers **Design assistance**. Take full advantage of their national brand image with professional facility design services that can make your shop look as good or better than any dealership!

- **Advertising co-op**. Finding, attracting, and keeping the right customers is not easy or cheap. And, most of us are not advertising experts. Getting help from a business partner with experience can improve your results and save you money.

- **National warranty**. Does this one even need to be explained? In our highly mobile society, a customer's ability to get warranty work virtually anywhere on service you provided makes you a hero & makes your company a "nationwide" player.

- **Preferred Customer Credit Cards**. The Car Care One card

is a great way to give your customers the power to say "yes" to more of your recommendations and to save you money on fees at the same time. The 90-days same-as-cash payment option costs you less than most national credit cards and gives your customers a separate card dedicated to auto service (with your name on it!).

- **Career Center**. Need another tech? Post your help wanted ad on the internet or search technician resumes...for hundreds of dollars less than a typical newspaper ad.

- **Rental Car**. You get special rates so you can provide extra convenience to your special customers.

- **Internet Connection**. Having a Web presence enhances your image as a high-tech business. As another avenue for marketing and advertising initiatives, it can also bring down your overall customer acquisition & retention costs.

- **ASE Certification Reimbursement** makes it easier and cheaper to motivate your techs to get it done.

It doesn't end here. Uniforms, merchandising & business aids, technology assistance (computer systems to run your business), Customer Retention Marketing programs, training incentives... there's a world of business enhancement opportunities available. Of course, you don't have to participate in every program that a partner might offer in order to maximize your business image. But, if your business goals include growing your car count, your sales, and your profits, remember that today's customers are more sophisticated & "globally aware" than ever before. Putting the best possible face on convenience, quality, expertise, and reliability can mean more business for you.

Sam's Corner: Striper Fishing Unbelievable!

By the end of June the big female Stripers that inhabit the Chesapeake Bay to spawn have headed for the Ocean and on to Massachusetts. The large males that court them usually follow them out but not this year! As you can see, Jim Pointe from Pointe's Auto in Dover Delaware caught this 16 pound male while fishing with Chubby on the Becky D in Annapolis, Maryland. Ten ATI clients caught 16 big fish with

Jim's being the big boy of the day. Coach Nadine Brumfield headed up the 2nd boat which caught more fish as usual when she goes up against the Fat Boy. Nadine's son, Aaron, caught his first Stripe Bass of his life and had a great time with the group.

Chubby takes clients fishing from May to November around day 7 and 8 to encourage completion of owner training. These days are also referred to as Advanced Owners classes.

Statistics have shown that the gross profit dollar lift of owners who complete training is double of those who don't attend. It's impossible to expect your coach to jam 200 hours of training through a phone. The average ATI client has increased their gross profit by \$1600 per week, so if you haven't finished school it may be your missing link to happiness. Plus, spend a day with Chubb on the Bay; you will enjoy it.



Seven At the Top, *Congratulations to All!*

This Month's Winners are:

Dale & Rodney Porter

Porter's Automotive & Tire
2849 S. Main Street
High Point, NC 27263

John Haitas

Active Green & Ross #1474133
2639 Dundas Street
West Toronto, Ontario M6P1X9
Canada

Steve Craven

Craven Tire Store #6
5624D Ox Road
Burke, VA 22039

Larry Griffin, Jr.

Griffin Brothers #6
702 East Main Street
Lincolnton, NC 28092

Ken and Carol Holt

Performance Place
10246 S. 1700 West
South Jordan, UT 84095

Lewis Schnauble

Shnauble Automotive
241 Rear E. Green Street
Westminster, MD 21157

Randy Walker

Walker's Automotive
407 14th Street
Modesto, CA 95354



8611 Larkin Road
Suite 200
Savage, MD 20763