

# ATI Shoptalk



Issue 1

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## Upcoming Courses:

### Shop Owners

February 4-6  
February 25-27

### Service Managers

January 26-27  
February 9-10  
February 23-24

### Advanced Service Managers

February 11-13

### ATI Superconference Cancun, Mexico

February 18-21



## Surviving A Bad Economy



By Chris Frederick



This month, I wanted you to hear from our head instructor, Matt Winslow, who has been in the trenches giving ATI one day workshops across the U.S. and Canada. Over the last year, hundreds of owners have asked, "Can we survive the bad economy?" I say YES and not only just survive, but flourish and reach your dreams and goals over the next 5 years! Here are Matt's suggestions to help you implement change in 2009.

**The bad news;** 2008 was a tough year. Banks failed, the stock market dropped to half its value, retirement funds evaporated, home foreclosures skyrocketed, oil and fuel costs spiraled to an all time high, consumer spending dropped to an all time low, and many shops had the worst September on record. Our nation divided in a hard fought election year. Daily news became more negative. "The World's economy on the brink of collapse". Economists predicted the bottom wouldn't be until 2010. Fear gripped the hearts of consumers and many shop owners wondered "how can I survive the recession?"

Our nation is certainly going to face difficult times for the next few years, but take heart; there is actually good news for shop owners!

**The good news;** more cars came out of warranty in 2006 than in any time in history. Consumers can't buy new ones because they're too upside down on the loan on their old cars. Repairs, which have declined since 2002, should increase for the next 5 years. Economists predict 1500 to 2000 car dealers will go out of business in the next 18 months. This is bad news for car dealers, but good news for independents. The Lang report estimates that 3 billion dollars in service revenue will shift from dealers to independents per year.

More techs and service advisors are looking for a job than ever before. It's a great time to find qualified people! One owner I met at a recent workshop said he put an ad on Craig's list for a tech the day before Thanksgiving and had over 74 responses in less than 48 hours! Repair shop owners have a great opportunity to increase their business over the next 5 years, but one thing is for sure. It won't be business as usual!

**Surviving & prospering in the years ahead;** 2009 must be a year of change. Many shops struggled to be profitable in this bad economy, but the truth is, many were struggling even when the economy was great. Too many owners spend their time working IN their business trying to make it go, instead of working ON their business to determine WHERE they need to go. Activity is a poor substitute for effectiveness

and with the tough economic outlook for the foreseeable future, you can't afford to make a lot of mistakes.

Your customers, your employees, and your business need you to be focused more than ever before. Now is the time to rise to excellence. Grow and become all you can be! Since the beginning of the year is a great time to implement some new resolutions, here are a few suggestions to get you in the front of the race.

**Commit to spending quality time with family.** Your family needs your undivided attention. Your business should give you the freedom to spend MORE time with your loved ones, not cost you your relationship with them. Take time to plan your week. Try and get home at a decent hour. Love your spouse. Hug your kids. Talk about what's going on in their lives. They grow up fast. Treasure the time you have; its gone in the blink of an eye. Schedule at least one day a week to turn off your business and have fun with your family. Put the shop out of your mind. You'll come back to work with new ideas and energy!

**Make your shop a great place to work.** Get to know your employees. Discover their dreams and goals. Help them grow. Empower them. Reward them with praise and recognition. You'll gain their loyalty and trust, and they'll free you to spend more time doing the things you enjoy and do well.

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**Make your shop a great place to do business.** Take pride in your people. Smile. Have fun. Make sure your employees are having fun. Joy is contagious. Your customer will feel your energy. Take pride in your facility. Keep it clean and organized. You'll increase productivity, reduce loss, and impress your customer. Find new ways to delight your customer. Become customer focused and value driven. They'll reward you with their loyalty and business.

**Run a tight ship.** There's little room for excess and waste. Control spending. Do a "Return On Investment" analysis before tying up precious capital on equipment purchases. Get control of your parts inventory. Send your cores back for credit. And don't forget your labor inventory. Be sure you get value for every payroll dollar you spend. Encourage your people to find new ways to increase efficiency and reward them publicly.

**Finally, build your road map to success.** Determine WHERE you want to go and where you are now. Identify the key processes you need to change. Build a time line with specific steps and milestone to get you there. Plan weekly to maximize your effectiveness while reducing your wasted time. Meet with a coach or mentor weekly to review your progress and encourage them to hold you accountable. Your progress will excite you and give you a great sense of accomplishment and purpose. You'll get where you want to be quicker and save a boatload of money in the process.

Can you survive in a bad economy? Yes, but why just survive? Decide to be successful. Decide to do whatever it takes to win. Rise up. Get excited. Get focused. Get ready. The next 5 years are a great time to grow, achieve, gain wealth, and have lots of fun. 

# Fixed Costs As An Exercise In Profitability

By Brian Canning



Since last February, I have spent untold hours explaining the virtues of the selling process, the inspection process and the extraordinary opportunities presented by this current economy, all in an effort to assure improved efforts in an environment that is far different from what we have seen in the past. A huge problem I am discovering in addressing sales and gross profit, is that we are awash in expense and seeing little or no benefit to our improved top line performance because our fixed costs are out of control. Or, as in many cases, we are simply unaware or uninterested in where our operating expenses are and as a direct result of this, are working hard to see very little return. In the end, the bottom line is the bottom line and if you are not doing the things necessary to assure that you are profitable, you are working very hard to get nowhere. I recommend that you perform an internal audit to determine where your profit model is and work to position yourself for improved profitability going forward. These efforts start paying off the moment you implement them and are simple with huge potential impact.

It is a sad commentary on the automotive repair industry to note that the average shop in the US is generating net profit of about 6%. I know very few people who work as hard as the average shop owner, and I think it very sad that in putting in all of those hours, in meeting those huge challenges every day, he only sees a very modest return on his investment in both money and time. It matters very little if you have great car count,

the very best technicians, the most up to date equipment, and provide the best customer service if you are not modeled to generate reasonable profit. Reasonable profit in this case would be somewhere between 25-30% net operating profit (NOP). Though many of the shop owners I talk to appear to be ashamed and feel guilty about generating numbers like these, other service industries routinely achieve similar numbers and given the reliance our society places on personal mobility, I am very confident in saying that most of our customers are happy to pay us and see us viable knowing we are there to service their vehicles. My effort here is not to talk about gross profit or margins or productivity but to address fixed cost and our operating expense to assure that once we have made the sale and generated that gross profit, we are able to hold on to a good portion of that money and assure cash flow.

As we get ready to close out our month end books, I ask that you look at what your current monthly expenses are and look for ways to cut these expenses. By itself, expense control is rarely capable of transforming a business from losing money to generating massive profits but with just a little effort, the average shop can effect significant savings and improve that bottom line. Explore opportunities to save as your leases come up for negotiation and as part of this, evaluate all of the various insurances you are carrying. This is a challenging economy for many industries and you will find many of your vendors loath to lose you as a customer and very willing to sharpen their pencils and offer you deals that will allow you to save thousands in annual

premiums. The same could hold true for other vendors. Examine and assess who is providing your payroll and accounting services, trash pick-up, uniforms, marketing and even your telephone company or the guys who handle your advertising. I see a lot of money spent on advertising and on marketing that has long ceased to provide a return and I suggest you examine very closely how you are spending those dollars. Spend it if you feel that there is a tangible value, but look for opportunities to save.

I am not suggesting that you ask for unreasonable accommodations that would potentially harm your vendor, but I am asking you to pursue modifications that would allow you to improve your profits, while strengthening and reinforcing the good working relationship you already enjoy with your various vendors. You may be able to consolidate all of your business with one vendor in exchange for an improved pricing structure. As I've indicated, it is not likely that addressing fixed cost by itself will transform your business overnight, yet it is very typical to trim these expenses and immediately enjoy the benefit of improved positive cash flow. Every penny you save in fixed costs flows immediately to the bottom line. Stop your stepping over or discounting those pennies and try picking them up instead. They add up and spend just fine.

In the world of business, cash is king. Without changing one thing operationally, you can literally transform your business. In 2009, profit might be a destination worth your effort. Certainly, we cannot do the same things. 

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



# The Banana Theory; How Customers Spoil



By George Zeeks



How many times have you purchased a bunch of bananas at the store? I'm talking that perfect, firm, just the right shade of yellow and smelling exactly like a banana should smell. You bring the bunch home and maybe even snack on one or two right away, thinking that all is right with the world. Then, like a lot of other things, we take them for granted and forget about them. The next time we look for that perfect banana, we find instead a soft, mushy, thing that looks like a leprous banana with big black spots on it. Sound familiar? In every business, there is a time when the customer is in a perfect position to make a purchase. In every business there are also circumstances that come up to "spoil" that opportunity and leave us in a far from perfect situation. **The Banana Theory** differs in all its various forms but always deals with the same problem. How do businesses sabotage their own ability to sell their product by not paying attention to the customer? For now, let's look at the automotive service industry and how The Banana Theory applies to these consumers.

I have trained and coached managers and owners in the Automotive Industry for many years and one thing continues to amaze me; very few of them like the customer who waits. One of the most actively disliked consumers is the lowly oil change customer who wants to wait for his car. The Quick lube industry has embraced this customer and has been profitable doing the very thing that many of the service providers dislike the most. In the economy that we find ourselves in, we need to

wake up and smell the banana. If you are having problems with low car count, low repeat business and low customer loyalty, you need to read on and you might just find a piece of that puzzle that you are missing.

Fulfilling the customer's expectation is the key to success in every industry. In automotive, we have some control in setting that expectation but we cannot forget what the customer wants. Many shops not only forget what the customer is expecting but



purposely set up situations that cause the opportunity to turn into a rotten banana. From the time that the customer is greeted and the work order written, the clock is ticking. A meaningful, accurate expectation of when the car may come in for service needs to be established. If we quote when the car will be finished then we have already shot ourselves in the foot. Most advisors, when they quote a finish time on a service, do not allow any additional time to perform any services that the car might need and the customer may want to have done. The customer is now thinking of the things they need to do when they leave your shop and they are making their plans based on that "finished" time that we quoted them. **STRIKE ONE!** Always quote the expected time that we will start on the car, not the anticipated finish time.

Once the car is in the bay, we have 15 minutes to bring the customer out to the car and present any additional services that they might need. This means that we have to do a "Courtesy Check" of the car, find any issues and have that "Courtesy Check" back to the advisor within approximately six minutes. I know, I know, there are people out there reading this and saying it can't be done that fast and still do a good job. Keep an open mind or stop reading! The Quick Lube Industry has been doing this very thing, correctly, profitably and with very good customer response for many years! **Wake up!**

For the naysayer's out there, let's break down what we need to do to get the estimate back up to the advisor in 6 minutes. As soon as the car enters the bay we should be working as a team to do a quick check on the lights and turn signals to make sure they work, approximate time one minute. Before we even set the lift, we need to check under the hood for fluids filters, belts, hoses, etc....approximate time 2-3 minutes. After setting the lift and taking the car in the air we can do a visual check under the car for CV Boots, Muffler problems, approximate time 2-3 minutes. At this point we need to turn the ticket into the advisor so they can disengage with what they are doing and build the estimate on the waiting car. Most of the items found will be routine and probably already packaged so building the estimate should not take that long. The final step is to make sure that we get the customer out to the car within 15 minutes to begin to make the presentation. As we get further from the 15 minute window, the Banana is starting to get rotten. I cannot tell you how many

shops do not turn the ticket into the advisor until after the oil change is done, 30 minutes have passed and now the chances of making a successful presentation are just about shot. **STRIKE TWO!!** The customer wants to leave, rightfully so, and we have neglected our duty to provide service to the best of our ability. If your shop does a brake inspection during the Courtesy Check, then do it after you have turned in the ticket. You have time to remove the wheels and perform a basic brake check before the advisor returns with the customer. The ability to practice "Show and Tell" with the customer is essential in building a better relationship with the customer, the need of the service, the value of the service and the urgency to do it now. Presenting at the counter in the office just does not cut it. If we are rotating the tires, why not do it after we have turned the estimate in and, while we are at it, let's check the balance on the worst tire to see what the status is. It will be easy enough for the technician to add it onto the estimate while we are presenting. Many times, people have forgotten to have their tires balanced and it is our job to let them know if it is needed. It not only helps the customer, but heaven forbid we might actually make a couple of dollars while we are doing our job.

The speed of the presentation is what keeps the banana from turning bad. It will take practice, maybe a re-vamping of your courtesy check process, making sure we measure how much time it takes to get the paperwork up front. The reward is happier customers, cars with the proper services provided & a healthier bottom line. Take a hard look in the mirror and at the processes in your shop; are the bananas ripe or rotten?



## Sam's Corner: ATI Wins 2008 Frost & Sullivan Award!

By Chris Frederick

Frost & Sullivan, renowned industry analysts and growth consultants, have named **Automotive Training Institute (ATI)** the 2008 recipient of the *Customer Value Leadership of the Year Award*. The award is given to the automotive training and coaching company that demonstrates excellence in customer service; provides superior value to customers, reducing costs and increasing profits; focuses on service, added value and changing customer needs; and is uniquely committed to applying techno-

logical innovations that meet customer needs.

"ATI is extremely proud to be the recipient of such a prestigious award. Frost & Sullivan is well respected in the auto aftermarket industry and for them to acknowledge our efforts is an outstanding honor," says Chris "Chubby" Frederick, ATI president. Auto repair shop owners utilizing ATI's training and coaching programs are typically very pleased with their results. 94% report "complete satisfaction" with ATI programs, with shop owners increasing



their weekly profits by \$2,100, on average, upon completing ATI's 27-month program. One-day "boot camps" are offered

for shop owners in major cities in the U.S. and Canada which offer individualized consulting.

## Seven At the Top, *Congratulations To All!*

### This Month's Winners are:

#### Pat McAleer

West Deptford Auto Repair  
466 Crown Point Rd  
Thorofare, NJ 80886

#### Ed Cushman

C&H Foreign Auto Repair  
E 620 N. Foothill Drive  
Spokane, WA 99207

#### Garry & Theresa Gerossie

Garry's Service Center  
323 Main Street  
Concord, NH 03301

#### Joe Kristan

Forty Fort Lube & Service  
1097 Wyoming Avenue  
Kingston, PA 18704

#### Barry Balaban

Black Bear Auto  
56 Frederick Street  
Bristol, CT 06010

#### Taseen Mansour

Tuffy Auto Service  
577 William Latham Dr.  
Bourbannias, IL 60914

#### Ken Benhamou

SAS German  
26-A California Avenue  
Pleasanton, CA 94566



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