

Five Actions to Consider in 2006

The future is a funny thing. You can plan for it and dream about it, but ultimately, what it holds still manages to surprise and dumbfound most of us. And, if the past few years have taught us anything in the fast lube industry, it's that many of the business models, assumptions and inclinations we've all traditionally relied on to guide our decisions have become about as relevant as the Model T.

From product and technology innovations to the ever-shifting currents of customer tastes, the future is all about change and adapting to it - as painful as that prospect may be. In talking about adapting to the future, baseball legend Sparky Anderson probably put it best when he said, "People who live in the past generally are afraid to compete in the present. I've got my faults, but living in the past is not one of them. There's no future in it."

If Sparky is correct, and I suspect he is, to be successful in the future will not only require bravery, but foresight and openness to new ideas as well. There is no magic bullet for success. Instead, our industry is going through an evolutionary process that will require each and every one of us to embrace change and be as flexible as possible.

So, as we look forward to the hope and promise of a new year, here are five key areas to keep in mind to help make sure your fast lube remains competitive and successful.

Embrace Specialty Products and Services

Recent statistics indicate 80 to 100 percent of all fast lubes now offer their customers niche products such as synthetic, synthetic blend and high-mileage motor oils. That's a great start, especially when you consider these are products many consumers are asking for (unaided by the technician or service writer). However, there is still much work to be done in educating our own service writers as well as our customers on these "added value" products.

Offering "specialty" products is not enough. To build car counts and improve ticket averages, savvy operators are now taking a long hard look at their service menu to include such things as engine flushes, cabin air filters, belts and hoses, replacing burned out light bulbs, engine treatments, power steering fluid changes and windshield

repair. In a lot of cases, these services are bundled with the traditional lube service to boost ticket averages and improve the customer service experience.

Always be mindful that adding and aggressively suggesting extra niche services to a customer has its risks if not done properly. It should always be made clear to the (often skeptical) customer that many of these services are suggested by the vehicle manufacturer. Pointing out this "third party" validation does help enhance the trust level between you and your customer.

One cautionary note; when you add extra services and product offerings make sure you are training and hiring staff that is capable of communicating and executing the expanded service menu. Also consider that additional products and services may require expanded bay capacity. Make sure you have a plan in place to handle this additional service so it doesn't disrupt the efficiency of your basic oil change services.

Use Management Systems

To be perfectly honest, if you are not currently using or planning to purchase one of the many fine management systems available on the market you are wasting your money and will be at a competitive disadvantage with other service providers. Basically, be sophisticated in the way you approach your business or be gone.

I do not intend to use scare tactics, but the truth is that the most successful and profitable players in fast lube industry have quickly moved away from the "mom and pop shop" mentality, and are well on their way to being truly sophisticated businesses that have a firm grasp on the cost of running their business, staffing, maintaining up-to-date vehicle histories, promotional programming and inventory management.

Better business practices such as state-of-the-art inventory and management software programs are not a luxury anymore, they're a necessity. Working "smart" will not only improve your bottom line, it may help improve the overall appeal of your business to an increasingly sophisticated customer base that expects a higher level of professionalism from their service providers. »

Integrate Services for Better Profitability

If recent developments are any indication, the stand-alone fast lube will change over time to include more income streams. Fully integrated car wash, fast lube and convenience store models are becoming more the rule than the exception when it comes to construction in our industry.

Just as you expand the fast lube service menu to appeal to changing customer tastes, so too do you need to look outside the oil bay to consider ways to make your business viable to a buying public. Consider that this audience is increasingly busy and more demanding of their service providers, yet more willing to reward those businesses they feel are going the extra mile to offer them goods and services to make their hectic lives run more smoothly.

Though combined fast lube, carwash, C-store facilities are certainly nothing new, the evolutionary pressures on the market from consumers is moving many in our industry to take a good long look at their real estate options and

The cost of goods sold is the largest single expense area for most fast lubes, but it is also the line item that presents the best opportunity to save money. Considering approximately one-third of a typical fast lubes' total revenue goes toward COGS, a smart operator can noticeably reduce that amount by:

- ◆ Reviewing current purchasing relationships and the prices you're paying for oil, filters, anti-freeze and other automotive products.
- ◆ Canvass the marketplace of suppliers and get bid proposals. Look at alternative supply sources, comparison shop and, most importantly, do your homework. You may be surprised that, in many cases, cost savings can be realized in the least obvious places and supplier source points.
- ◆ Whenever possible, minimize long-term supply agreements. These agreements typically don't protect you from price increases, but lock you into relationships that might benefit you short-term, while penalizing you over the

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business plans to accommodate customers who value the convenience of getting an oil change, car wash, a hot cup of coffee and quick bite to eat - all within 30 minutes!

Before rushing headlong into an expensive construction plan, take some time to discuss options with your suppliers and scope out local competition to analyze how similar businesses perform. Realize that adding additional services represents a significant investment and you should talk with a financial expert to help determine if the ROI is worth adding the service(s). A typical "break-even" business analysis will reveal the number of services you will need to perform and the number of washes and C-store items you will need to sell, to pay off your investment.

Control Your COGS

As I wrote earlier this year in *Auto Services Operator*, nothing in business or life seems to be getting any less expensive. If only it was as easy as arbitrarily raising ticket prices to keep up with the rising cost of doing business!

Up to 65 percent of your yearly total revenue may be wrapped up in cost of goods (COGS) and labor costs. The fast lube industry (in an effort to please customers) traditionally has been hesitant to pass along increased operating costs and exceed the mythical "\$30 oil change."

long haul. Instead, look for suppliers that offer maximum price and financing flexibility and allow you to periodically review the market options available to you.

Know Thy Customer

It's abundantly clear the fast lube customer base is changing, and changing rapidly. From the ever-increasing buying power of females to the army of more affluent and better educated "Generation Y" consumers, long gone are the days when automotive care was strictly the domain of the "man of the house."

Today, according to the Automotive Aftermarket Industry Association, nearly 90 percent of women (in many cases, women who are the heads of households) have some level of decision-making authority when it comes to vehicle maintenance and service. The key to making your fast lube more accessible and attentive to the needs of the female market is to always be aware that trust is a very high priority with this group. Make sure you and your staff take the time to educate customers on the service procedure, service options and the reasons behind them. To further build an atmosphere of trust with this market:

- ◆ Communicate clearly and completely the services you're recommending and don't talk "down" to your customer.

Answer questions in a positive way.

- ◆ Make sure your facility is well-lighted, clean, uncluttered and comfortable
- ◆ Provide free coffee and beverages
- ◆ Keep a supply of current newspapers and women's interest magazines in the waiting room
- ◆ Provide a safe play area for children, and provide toys for their enjoyment

Generation Y - males and females born between 1978 and 1989 - have been born, educated and emerged into the job market knowing nothing but relative economic prosperity since they were in the crib. As such, this 70-million-strong group of consumers is very reliant on service providers and has high expectations.

According to a recent article in *USA Today*, we should not write off Generation Y as a bunch of unsophisticated kids. They are smart, independent, financially savvy, brash, and place a very high value on the work/life balance. As such, they see service providers like fast lubes as a means to help them achieve the free time needed to pursue balance and self-fulfillment.

It is an utmost priority you treat your under-30 customers with a high level of respect. Not only should you take the time to educate them on their vehicle maintenance needs (much as you would do with the female customers), but make sure you and your staff are doing everything you can do to earn their trust. Though Generation Y members are more discriminating than previous generations, they do value service and will reward you with loyalty if they feel you're honest and upfront with them.

One of the best things about the coming of a new year is a very real and, more often than not, positive feeling of anticipation. Though we are all bombarded daily with negative and discouraging news, the one thing we can all hold onto is hope.

For those of you lucky enough to be in the fast lube business at this time, there is a lot to be hopeful for if you take the time and energy needed to make sure your business remains relevant and viable to your customers. Though there is no magic formula to ensure success, there is a wealth of information and guidance at your disposal to help you adapt to a constantly evolving industry and create sustainable profitability.☺

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