

3 dealers, 3 success stories

What do they have in common?
They're all 20 Group members

Success breeds success. That is why 20 Groups are so inviting to retailers. Our industry is no exception. Dealer Strategic Planning Inc. (DSP) has formed four 20 Groups made up of non-competing independent tire store owners in the United States and Canada. Its goal is to help them improve bottom line profits through idea sharing, financial benchmarking and best practices. DSP and *Modern Tire Dealer* formed a strategic alliance in 2010 to better serve the tire industry by sharing resources.

This joint story, written with the help of Pat Brown, DSP's vice president of marketing, is the first in a series of dealer profiles about how to find success in today's challenging business environment.

Two of the three business owners interviewed are from the U.S.: Chris Tolleson of 49 Tire & Auto Service in Richland, Miss., and Scott Zimmerman of Scotty's Tire & Automotive in New Orleans, La. The third is a Canadian: Dan Cantlon of OK Tire & Auto Service, an OK Tire Stores Inc. franchisee, in Fort St. John, B.C.

Chris Tolleson, 49 Tire

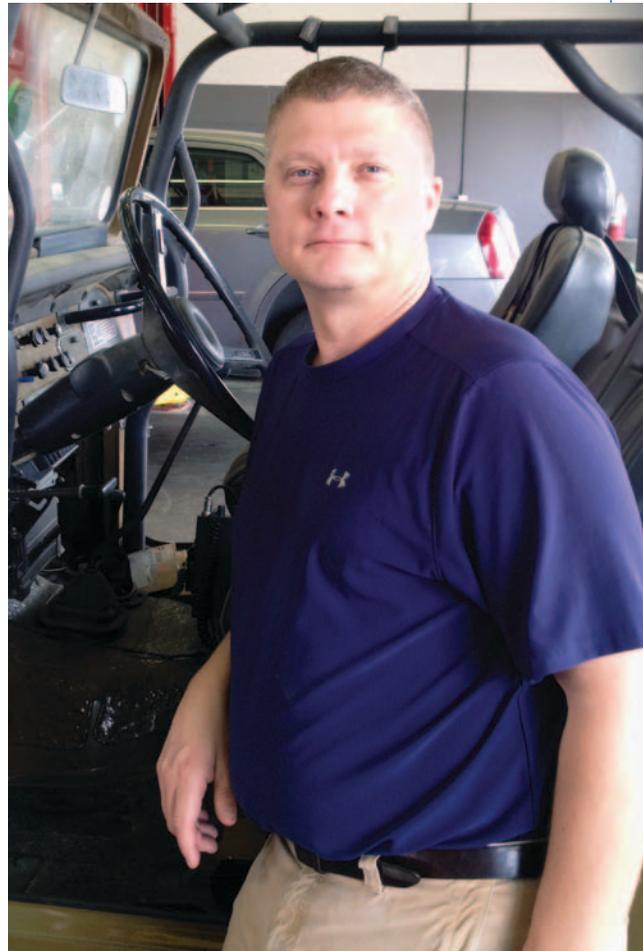
It seemed inevitable that Chris Tolleson would end up in the tire business. His father spent 41 years at Bridgestone and Chris learned the business from the family's "dinner table talk." Chris himself spent seven years with Bridgestone, which he refers to as his "minor league training," and then he was inspired to get into the business, opening 49 Tire in 1990.

His 12-bay operation is a thriving, fast-paced auto service shop, and Tolleson is the head "traffic cop" coordinating his team to provide "knock your socks off" customer service that keeps people coming back.

Tolleson, as many other business owners have, found his profits diminishing as pricing became more competitive, additional competition grew in his market area and the general economic downturn took a toll. While he was working hard "in" his business, he wasn't working "on" his business.

In 2010, Tolleson was invited to join a group of 20 tire and auto service dealers who meet periodically to help each other overcome challenges and take advantage of opportunities. He is enthusiastic about the impact his membership has had on his business.

"I expect to increase my net profit this year by 5 percentage points!" he says. "I've never done that, and if I had not joined a 20 Group, my business would have shown a



"Next January, I will host my 20 Group meeting in Richland," says Chris Tolleson. "I can't wait for my group to see my business. I have borrowed ideas from many of their businesses to make my business shine."

loss and again gone to the bank to borrow money against the building.

"The 20 Group has kept me focused on making good choices about the bottom line. This was one of the best decisions I've ever made since owning my company!"

MTD: What's different about the 20 Group meetings?

Tolleson: I've been to all kinds of manufacturer, distributor and supplier meetings, and we always take everything said with a grain of salt. There is an agenda present at these meetings, and it's not about the dealer.

At our 20 Group meetings, it's all about us — the dealers. We share ideas, our frustrations, do problem-solving and it becomes a much more "true" solution to our problems. The meetings are genuine with proven ways to get better.

MTD: What changes, if any, have you made that you can say have improved your bottom line?

Tolleson: I have certainly made some hard choices pertaining to payroll since I joined the 20 Group. Norm Gaither (owner of DSP) says that payroll should not be higher than 45% of our gross margin or profits would suffer.

Money-making tips

That was a shock to me. Mine was much higher!

After our first meeting, I eliminated a service manager's position and I took that responsibility over. We also changed our pay system with our technicians from hourly to flat rate. When you pay your techs based on the amount of work they do, it motivates them and makes them more efficient. These payroll moves went straight to the bottom line.

MTD: At every meeting you agree to certain "actions" that you've seen in the meeting which will help your business. Does this actually make you accountable to your group members? Is it helpful?

Tolleson: My hand is flying over my action list, making notes of the things I want to try. My goal is always to accomplish everything, but that's not possible. I attempt all and conquer some.

I don't want to come to the next meeting and admit that I didn't make any changes, so yes, it does help with accountability. And my business is better for it.

MTD: What is your favorite part of your 20 Group meeting?

Tolleson: You know, it's like a bicycle. Every part is important for the bicycle to work. That's the same way with the 20 Group. I guess if I had to name one thing, it would be the financial analysis. That has been life-changing for my business.

Next would be the executive session in which we control the topics that are important to us. I've learned so much from my peers... from rebuilding TPMS, comparing POS systems, employee manuals, social media — and the list goes on. And, of course the store visit where I "steal" ideas shamelessly.

Scott Zimmerman, Scotty's Tire & Automotive

Few people realize that businesses in New Orleans were hit with a double whammy when Hurricane Katrina and the BP oil spill devastated this southern coastal region. Zimmerman understood the impact because he had to recover from them.

When Katrina roared out of the gulf, Zimmerman's business was underwater — the flood waters were two-feet deep in his six-bay operation. Understandably, business was pretty good for a while as rebuilding the city stimulated business. Just when business was starting to stabilize, five years after Katrina, the BP oil spill shattered the region.

"People were glued to the TV and business stopped," he says. "The oil spill cost me nearly \$200,000 in sales that year."

(To read about how Zimmerman and a number of other

independent dealers survived in the aftermath of Hurricane Katrina, visit www.moderntiredealer.com and read Managing Editor Lori Mavrigian's first-hand account in the "Features" channel.)

Zimmerman was invited to attend a financial workshop sponsored by Bridgestone Americas Inc. After absorbing the financial benchmarks and goals, coincidentally presented by Gaither, he joined Gaither's 20 Group in 2010. His gross profit and net profit have increased by 13 and 10 percentage points, respectively, since then.

MTD: You have made an amazing turnaround. What's the secret?

Zimmerman: The workshop was an intervention and my 20 Group meetings are like rehab for me. Every three months I go to get help. I knew I had a problem, but I didn't know how to fix it.

I have been in this business for 33 years and this is the best thing I have done. I only wish I had done it 33 years sooner.

MTD: Give us an example of what you put into place after a meeting.

Zimmerman: After attending my first meeting and learning that my payroll should be no more than 45% gross profit, I went back to my business and analyzed my service techs. I realized pretty quick that was my money, and I was wasting it every week. I had four techs and, to be honest, they weren't efficient, but I didn't know how to measure efficiency. I learned how others measured tire and service tech efficiency, and then I knew I had to make some changes.

After explaining the problem with my techs, two said they could step up and work harder so they kept their jobs. The other two were what we call "woodpeckers" and they had to go. At our meetings, we define a "woodpecker" as an employee who is always poking holes in our plans for growth, profitability or general workplace procedures. The end result is that I do more business with two techs than I did with the four and everyone is happier.

MTD: Your group visited your store earlier this year. Since you just rebuilt, what improvements did they suggest?

Zimmerman: Yes, my store is new, but it mirrors my old store. I had a goal a long time ago to have the cleanest, nicest tire store in the state and I am proud to say that it is a showplace.

I spend more time at my store than at my house, so I want my customers to feel comfortable, almost like they are visiting my home and waiting in my den for their work to be done.

Generally, when my group visits a host location, they pick the place apart and really drill down into the details. I didn't get a lot of suggestions, but I did learn that my technicians looked sloppy and I have since replaced their grimy T-shirts with new uniforms. That just enhances my overall business appearance.



Scott Zimmerman, owner of Scotty's Tire & Automotive in New Orleans, La., has had to weather the effects of both Hurricane Katrina and the BP gulf oil spill.

Money-making tips

MTD: Your meetings are three to four months apart. Do you wait until the meetings to share with the group?

Zimmerman: This is the awesome part. We have a group email system set up so I can send a question to my 20 Group “family” any time, 24/7. And, within minutes, I will get a response, opinion or suggestion. It’s great.

When our group formed, we instantly bonded into a cohesive unit. We really care about each other’s business and want everyone to get better.

MTD: There are fees associated with belonging to a group. How do you justify the cost?

Zimmerman: I can’t afford not to do this. Everybody doesn’t know everything. We learn from each other and, as I said before, look at my bottom line. This works.

Dan Cantlon, OK Tire & Auto Service

One has to travel pretty far north to find OK Tire in Fort St. John, B.C. This scenic town is just about 50 miles from the start of the Alaskan Highway.

Rich in oil drilling prosperity, Fort St. John has less than 20,000 in population but serves a large market due to the isolated tundra in northern British Columbia.

Dan Cantlon is an industry veteran with 30 years of experience in the tire and automotive arena. He believes every business owner should belong to a peer group.

“The numbers tell you your business,” he says. “It’s kind of sick, really, the amount of time that I spend on my numbers.” But his focus has paid off in improved — and record — profitability.

“After struggling to get my gross profits over 45%, I joined a 20 Group in 2008. The first year in the group, my GP (gross profits) went up to 48.4% and in 2011 it hit 50.8%.”



Dan Cantlon of OK Tire & Auto Service, an OK Tire Stores Inc. franchisee, in Fort St. John, B.C., believes in joining peer groups.

can look at whoever is doing better than I am and see where we differ. Then I know what to aim for. I always compare my results to last year and last month, and then try to match my best month. I see where we are falling short, and then I work on it. It’s that simple, but it takes focus and determination. It’s more fun to do other things, but the numbers are the key.”

MTD: Can you name one thing that you have taken away

| Jobber parts matrix | | | | |
|---------------------|---|---------|---|----------------|
| Cost | | Mark-up | | Gross profit % |
| \$0 - \$10 | x | 3.25 | = | 69.2% |
| \$10.01 - \$20 | x | 2.76 | = | 63.6% |
| \$20.01 - \$75 | x | 2.25 | = | 55.5% |
| \$75.01 - \$150 | x | 2.00 | = | 50.0% |
| \$150.01 - \$750 | x | 1.85 | = | 46.0% |
| \$750.01 - Over | x | 1.54 | = | 35.0% |

| Dealer parts matrix | | | | |
|---------------------|---|---------|---|----------------|
| Cost | | Mark-up | | Gross profit % |
| \$0 - \$5 | x | 3.25 | = | 69.2% |
| \$5.01 - \$10 | x | 2.75 | = | 63.6% |
| \$50.01 - \$100 | x | 1.82 | = | 45.5% |
| \$100.01 - \$175 | x | 1.67 | = | 40.0% |
| \$175.01 - Over | x | 1.54 | = | 35.0% |

Source: Norm Gaither, DSP

from a 20 Group meeting that has impacted your business in a huge way?

Cantlon: It’s a multitude of things. At every meeting, I find where my weaknesses are and then I learn from my peers how to work on them. For example, parts are my downfall. I don’t make enough money on parts and I’m always at or near the bottom of GP on parts when we compare numbers.

We also look at rankings of key financial metrics. I am determined to move up on the parts GP ranking. I’ll just have to work harder.

I’m going to start using Norm Gaither’s handy parts mark-up matrix guide. If I can discipline my counter sales guys, my parts GP should be much better. It will take a while to reach our target of 50% parts GM (gross margin), but I’m confident we’ll get there.

MTD: When you return from a 20 Group meeting, how do you get

your staff excited about change?

Cantlon: “That’s very tough. Most people don’t like change. They get complacent and comfortable. It’s my challenge to get my team to welcome and want change.

I usually pick two or three ideas that I think are workable. I pick them off one by one. I focus on the first, and then when we get good results, we start on the next. I tell my employees that we are a team and I’m the coach, but a coach is only as good as his team.

The biggest motivator for change is to share the results (financially) with my employees. If I make more money, they make more money. That’s when they get excited.

“Right now, we are working on bay efficiency. I learned from the stats we share in our meetings that my bays are not as efficient as they should be. In fact, I was all set to expand and build two more bays, but then I learned that my bays can be busier and handle more business if we work on our efficiencies. I don’t have to invest in more equipment and building.”

MTD: Travel from Fort St. John has to be expensive. How do you justify the cost to attend meetings in the U.S.?

Cantlon: That easy. It is expensive and inconvenient to travel so far away, but it’s easy to justify the cost when changes are made and my bottom line improves.

MTD: Do you see vast differences in the way retailers in Canada and U.S. approach the business?

Cantlon: There are far more similarities than differences. I have observed that U.S. dealers seem to be more intent on gaining a bigger share of the market. Many U.S. dealers seem to be caught in the “loss leader mentality” — for example, offering oil changes at \$19.95. I just don’t understand why dealers want to “give it away.” I’d much rather do less work for more money. What’s wrong with that?