



AUTOMOTIVE TRAINING INTERNATIONAL

THE ACCEPTABLE EXCUSE

By: Tyler Robbins

The economy is bad!

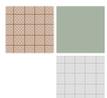
As I travel all over North America working with dealerships, Service Managers, Parts Managers and Fixed Operations personnel, one of the first questions I ask of anyone is “How’s business?” I ask this question, not so much because I want to know how business is, but more so to know how it will be answered.

Over the past year, I for the most part hear “It’s bad – you know, the economy is not good.”

As I read the various industry magazines & publications, listen to the news on the radio and TV, it is clear within our industry as with all varying industries news – bad news sells! Take that theory one statement further, and one could say “Bad News, as long as it is consistent, becomes fact, which is ultimately, as the title of this article indicates - an acceptable excuse!”

This phenomenon of “an acceptable excuse” drives me absolutely nuts as there is always more than can be said or “reported” that simply goes unsaid.

A recent industry publication, shared with us the tale-of-whoa that is new vehicle sales declines this year. I am not going to disagree with the facts – new vehicle sales in 2008 are not pacing equivalently to new vehicle sales this time in 2007 – YES - New vehicle sales are down. All indications/forecasts are that NEW vehicle sales for 2008 will be around 17 million, instead of the anticipated 19 million, effectively 2008 will fall 2 million vehicles short of 2007 new vehicle sales.





This means, with approximately 22,000 dealers across the country, on average each dealer will be down about 90 new units for the year or 7 new units per month. Oh NO!!

SEVEN? That's it?

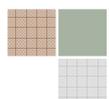
Those who know me know that I love the phrase “Math doesn’t lie!” Now, I won’t sit here and say that 7 units per month isn’t important, of course it is, but realistically, if the make it or break it point for a dealer lies in 7 units – they are obviously teetering on the edge whether the economy is good or bad.

Of course too, there are dealers out there that are down more than seven units per month, and are feeling it quite hard, but realize an average is an average and for a dealer down, say 14 units, another dealer is up by 7 – Math doesn’t lie!

OK – take it one step further – when NEW vehicle sales go down, typically Used Vehicle Sales go up, in fact, reading an industry publication recently indicated some nearly new small fuel efficient used cars were running through an auction at \$1000 over the sticker of that same new vehicle. Supply and demand baby – certainly implies that the used vehicle market, on some vehicles or at least in some markets is doing great! Gee – I wonder if there used vehicle sales per month can make up those lost 7 new units?

Doesn’t this industry readily accept that Used vehicle sales are more profitable than new? OK...moving on...sure, it’s true that higher profit new truck sales are down and fuel efficient smaller (lower profit) new vehicles are replacing those, which, of course doesn’t factor that a dealer may be doing better on their used vehicles big truck or small car profits, but this article is not about vehicle profits – I am Fixed Ops guy – this is about Fixed operations!

There seems to be an unspoken implication that for every new vehicle sale, an older vehicle come OFF the road forever??!!?? I am pretty sure (sarcasm) that sometimes, only sometimes, (more sarcasm) when a NEW vehicle is sold, a trade in or lease return may be sold again.





When the news and publications say things like, 19 million anticipated new vehicle sales will only be 17 million, there seems to be a belief, although unspoken, that because 19 million were supposed to have been sold, 19 million older cars are STILL coming off the road regardless. This, as we all know is simply not true. In fact, from a Fixed Operations perspective, I know that there are MORE cars on the ROAD right now in 2008 than there were at this same time in 2007.

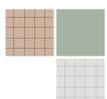
So what does that mean to Fixed Operations?

FIXED OPERATIONS BUSINESS IS GREAT!

- ✓ With 17 million more vehicles on the road and some 2 million (minus the limited number that came off the road forever) or so who kept an older vehicle on the road, than your 'actual-units-in-operation' is higher and therefore, shouldn't your Fixed Operations should be busier?
- ✓ Those who keep an older vehicle longer obviously need to continue servicing that vehicle – would you rather have a new vehicle or older vehicle (if you had to choose) in your Service Lane?
- ✓ Older vehicles and used vehicle reconditioning require more repair (higher flat rates and higher ELR) work – That's a good thing isn't it?
- ✓ Everyone wants to improve the fuel efficiency of their existing vehicles (new or not) – gee, I wonder if a Service Department could capitalize on this fact?

The bottom line here is – “The economy is bad” is simply an excuse that unfortunately is too readily accepted as the reason for poor performance. I'm not saying that the economy is not bad, far from it, all that I am saying is that from a Fixed Operations perspective – your business should be growing based on the economic realities of the market today.

If you honestly believe that your business is going down and that's a result of the market and there is nothing you can do but hope to weather the storm – don't think for a second that you aren't effectively telling your people that fact as well.





Is your business growing? If it isn't – don't blame the economy – look in the mirror, chances are, you're the one who needs to make a change. No, I don't mean "de-expense your way to a profit", that never works!

Stepping up and making that change, whether it is through process improvement, personnel development and training demonstrates that want to GROW your business and you are willing and capable of making a change to do it! That action, in and of itself – regardless of economic ups and downs is the difference between being a true leader and being nothing more than a spectator. Who are you going to be?

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