20% Year-over-Year Fixed-Operations Growth
Case Study

Growth & Forecasting

In a modern dealership environment, growth plans are forecasted annually, and breaking them down month-by-month. Most Fixed-Operations growth is directly attributable to new vehicle and used vehicle sales numbers. The OEM looks at Units in Operation (UIO) as a measurement of retention. Dealerships plan their forecasts based on personnel expense, advertising expense, repair order volume in each category of customer pay, warranty, and internal categories. When all is said and done, growth forecasts generally vary between **4%** and **7%** on an annual basis for Fixed Operations.

Accelerated Growth

In this dealership example, they were faced with a large facility upgrade of several million dollars, making normal growth forecasts under-targeted due to the facility upgrade. Rent increased substantially as did depreciation expense for new equipment and furniture. The dealership was looking for ways to stop customer defection and gain the profitable repair and maintenance work to offset normal customer defection and grow their business at an accelerated pace.

The Solution

Dealerships know they should be selling tires, but tires are a low-margin business. Tires also represent the point where current customers defect to other retailers. When dealership customers become the competitors' customers, they do not come back unless they need a warranty repair or have an OEM recall. This dealership decided to look for a different solution.

TPI presented a solution to measure every tire accurately and quickly on every vehicle without any additional manpower while producing a color-coded report, The TreadTracker. This report reads tread ware, detects if the vehicle needs an alignment, and is easy to read for the customer.

The dealership modified and designed easy-to-follow processes to integrate TPI into the service drive routine. This is a process that worked regardless if they had one, or thirty customers waiting in the service drive. The process simply did not break-down during peak hours, because of the efficiencies of the TPI integration.

Customer defection was significantly reduced because the dealership took a proactive approach to tires on the service drive. Every customer had their tires accurately measured, a TreadTracker report shared and reviewed with the customer, as well as a plan for overall tire health. It was discovered that the dealership didn't "sell" tires; customers "bought" tires because they were well informed, realizing they had a tire and/or alignment need.

Statistics tell the story:

- 33% of all vehicles entering the service drive need an alignment. Alignments are high-gross profit labor operations and dealerships should WANT more alignments!
- 13% of all vehicles entering the service drive have at least one tire that is a "red" condition tire, meaning the tire is significantly in need of replacement.
- 23% of all vehicles entering the service drive have at least two tires that are in a "yellow" condition, meaning the tires will need replacement soon.

Around the Wheel Repairs Skyrocketed

As the dealership's alignments and tire sales increased, so did the "around-the-wheel" repairs. They surfaced more rotors, replaced more brake pads, and suspension work increased dramatically!

Warranty and OEM Recall Repair Dollar Values Increase

Since every vehicle has a TreadTracker report, including warranty repairs and OEM recall repairs, upsell activity increased dramatically. Suddenly, warranty and recall work became a customer acquisition touch point. The service drive processes produced value-added benefits that customers could not receive at the local repair shop, tire dealers, Walmart or Costco. The dealership kept their prices competitive and gained 20% Year-over-Year Growth in Fixed Operations.

Below is the journey and how TPI was a significant partner in driving revenue.

Large Mid-West Honda Dealer Case Study

Baseline Data (Before TreadSpec)	
RO's per month (Avg)	4570
Tire sales per month (Avg)	254
Alignment sales per month (Avg)	133
Rotor turns per month (Avg)	88
Brake pad replace per month (Avg)	101

Month 1 (After TreadSpec by TPI)		**Month 3 (After TreadSpec by TPI)**	
Tire sales per month (Avg)	357	Tire sales per month (Avg)	490
Alignment sales per month (Avg)	201	Alignment sales per month (Avg)	227
Rotor turns per month (Avg)	112	Rotor turns per month (Avg)	146
Brake pad replace per month (Avg)	143	Brake pad replace per month (Avg)	215

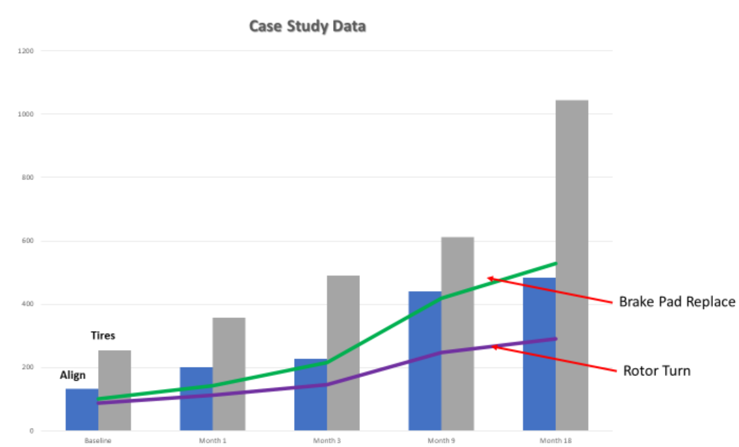
Month 9 (After TreadSpec by TPI)		**Month 18 (After TreadSpec by TPI)**	
Tire sales per month (Avg)	611	Tire sales per month (Avg)	1044
Alignment sales per month (Avg)	440	Alignment sales per month (Avg)	483
Rotor turns per month (Avg)	247	Rotor turns per month (Avg)	291
Brake pad replace per month (Avg)	418	Brake pad replace per month (Avg)	529

Note: Installed an additional TreadSpec and a second alignment rack

Overall Results

Increases Fixed Coverage from 57% to 81%

Sustained 20%+ Growth for 5 consecutive years!



more information, visit the TPI website at:
www.tireprofles.com