



DEALERSHIP

WEEKLY INFORMATION NETWORK

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- The biggest opportunity and also the biggest potential failure for dealers will be on the service side and in their inability to grow their service fast enough to make up for the potential losses on the front end.
- We've been talking about this for two decades. With things like oil change intervals essentially going away, you can no longer count on that stuff for visits. A lot of maintenance is also going away.
- As an example, I recently read an article by Tesla that talks about a 400,000-mile Tesla that they did an analysis on that needed very little work in that span of time. This should make every service manager nervous when it comes to EV vehicles.
 - o The thing that jumped off the page is that it needed a ton of tires. Those big heavy vehicles chew up tires like crazy. That should be a wakeup call for everybody to get into the tire business.
- A lot of dealers just still aren't taking it seriously. Tires and alignments can be the replacement for the catalyst of the visit, which for a very long time has been oil changes.
- Tires is a high volume, low margin business. The reason dealers don't make a lot of money at it is that they're missing half of that equation. They're missing the high-volume part. If you can make this a high-volume business, then it can be a very profitable one.
- We tend to be very reactionary when it comes to tires. "If the tire sale falls into my lap, I'll take it." We have to flip that script. Dealers have to go after the tire business the way that the tire guys go after the tire business.
 - o It requires dealers to look at this differently and start marketing tires to their inactive customers in their database. And then we'll start to win back some of that business.

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- After-market companies are thinking: “if dealers ever do wake up and begin doing this, they’ve got the money, the people and the wherewithal to put a lot of us out of business. Right now, we’re essentially eating the dealers’ lunch, they’re not aggressively going after this business – they’re just picking up what we’re leaving on the ground.”
- The profit opportunity is not just in selling tires, it’s about all the work associated with bringing them back for an expense that they’re going to have to swallow at some point in time. The question is going to be whether or not they choose to do it with you.
- Dealers need to get into the tire business for tires – you can make money at tires. But the cherry on top is that other work that goes with it and as the tire volume grows, that other volume grows along with it.
- The best time to sell tires is when the customer doesn’t need them yet. The problem that dealers are facing with MPIs is technicians aren’t looking at tires until there’s an opportunity. If you do it that way, you’ve already lost the customer in many cases. They’ve already started to shop in the after-market.
- You’ve got to keep them away from the keyboard. Because as soon as they get there, that’s when you lose them.
- The dealers have a better understanding of the tire that should be on the car. They should be more knowledgeable than the after-market.
- Mercedes Benz got behind our company and our products in a deep way because they made the connection between consumers having tires replaced in the after-market which then led to ultimate dissatisfaction with the vehicle and defection. The after-market is going to sell the tire that gives them the biggest margin – it’ll fit the car but may not be the best possible fit.
- They had connected all those dots where they sell a car and it rides like your sofa on wheels. It’s a beautiful car and the customer loves it. But then you get to 30,000 miles and you put a different set of tires on it and all of a sudden, it just isn’t the same car anymore. The car doesn’t ride the same.
- Mercedes realized what was going on – the consumer doesn’t equate that to the tire in a lot of cases. They just thought the car was getting older and all of a sudden it doesn’t ride the same. They saw definite demarcation in satisfaction that was linked to tire replacement and ultimately defection.
- It starts with the dealers educating the consumer on what should go back on that car and they’re the best ones that are suited to do it.
- You need to be competitively shopping yourself constantly when it comes to tires because they are a very competitively priced item.
- These are big picture decisions that are part of the brand and the dealer needs to make that decision once and for all that he’s going to get serious about the tire business.

Questions:

- In the dealer world, is the lack of inventory or the ability to keep the right mix of inventory an issue that keeps them from getting to the volume that they need?

- It can be. Obviously, everything I've said doesn't hold true if you don't have tires in stock or if you're not priced right. If you have a parts manager that's still hell bent on getting a 40 % margin on a tire – you're not going to sell tires regardless of what I tell you to do. You have to have them in stock.
- Dealers can get tires pretty easily – these aftermarket guys don't stock tires like you think they do. They have a similar process. You do need to stock the fast movers. That's where a lot of dealers fall down.
- You're saying that you can make enough money just on tires if you do enough volume. I don't get it – how do you do it?
 - You have to price them right. You have to have your labor component right. It's almost like having a model store in a box inside your dealership. You have to have lower paid technicians. You don't need to be the same price as the after-market. You can't be double the price, but you can be 10-20% more in some cases and the consumers will pay that. You don't need to do it if you're selling the value and you're priced right in the first place.
 - How do you get the volume? It's through marketing. Dealers do this every day when they sell cars. They just don't do it in their service department. If the dealer relied just on the ups that came through the door to sell cars, he'd be broke. What do they do? They force traffic. They market, they advertise, they get in the market. They try to push people to their lots and to their show rooms in order to sell cars. We need to do the same thing for tires.
- What are the manufacturers offering that the dealers aren't asking for? Are the manufacturers being used as a resource as much as they should be?
 - No, they're not. I think a little bit has to do with the way the distribution is handled. I will tell you though that my number one customers outside of the US are the tire OEs – but not in this country. Because they realize the opportunity for them.