



Hunting Down Your Market Share

PART ONE

In the past year and a half, Bob's Auto Repair shop has cropped up now and again in the pages of *Import Service*. You've shared Bob's adventures as he explored the land of signage, insurance, and business plans. Take a trip with Bob now as he braves the wild jungle of market analysis in search of the ever elusive "market share."

Why does Bob want to journey into the unknown land of market share? To know that, you've got to know a little about Bob and his business. Bob set up shop about 22 years ago. At that time, Bob's Auto Repair was a general repair garage. Then about eight years ago, Bob began to notice that more and more of his customers were bringing him import cars for repair.

Never one to pass up an opportunity, Bob decided to learn as much as he could about these imports. He attended classes, purchased manuals, and kept his ears and eyes open. When Bob saw that the need for import repair kept growing, he hired a technician whose sole training was in imports. Slowly, Bob's customer profile changed.

Soon he was doing 20 to 30 percent import repair.

Now, eight years later, Bob and his technicians do about 75 percent import repair.

But Bob's a bright businessman. He knows that as technology gets increasingly complex, the training and equipment costs to work on all imports are staggering. So Bob's considering his options. And the one he's decided to examine right now is whether or not he could benefit from specializing. To know that, he needs to find out quite a bit about the vehicle population in his county, Intown, Pennsylvania. So Bob's packing his pencils, his pens, his calculators, and his checkbook, and he's embarking upon a journey of discovery, one that he hopes will lead him to his market share.

Pack Your Bags

Whether you've been in business 10 years or 10 hours, it's important that both you and Bob know your markets. If you've already lucked into the market that's most beneficial to you, that's great. It's also rare. Keep in mind that knowing your market can help you determine the course your business should take.

- Should you specialize?

- Should you change your specialty to adapt to changing market trends?
- Should you invest in more tools, equipment, and training for the cars you currently work on?
- Should you hire people skilled in certain areas of vehicle repair?
- Should you broaden the list of services that you offer?

The list goes on and on.

The market share is a dangerous animal. Since it's a master of camouflage, Bob will need to arm himself with the proper tools to hunt him down. Going up against this beast unaided may leave Bob in a bloody battle for business and bank account.

What does Bob need to do to prepare himself for this difficult journey? He'll need some cash, some information, and a lot of patience.

Before he finds his game, the market share, Bob has to learn quite a bit about it. He's got to find out answers to questions like: what, where, who, how many, how often, and how much. The questions are Bob's clues, but the trick to a successful hunt is knowing where to look for the answers. Once he finds the answers, figures out what they mean, and puts them to work for him, Bob's on the road to finding that market share.

If you choose to join Bob on this market hunt, please be sure you've got plenty of time, patience, and a desire to succeed. This safari into the land of market share is not a short trip. But it sure beats taking a shot in the dark at the market share, missing, and then having the creature turn on you.

Due to the amount of data we need to examine and compile before Bob can successfully locate his market share, we'll begin the hunt now and wrap it up in the pages of the June issue.

Ready, Set, Go!

Bob's first stop is R.L. Polk & Company. R.L. Polk is a company that has been providing information to companies throughout the automotive aftermarket for more than a decade. The people at R. L. Polk can provide you with information on the number of vehicles in your area, how old those vehicles are, and even who the owners are.

Bob purchased the statistics on import vehicle population for his area from R.L. Polk. We'll call Bob's area Intown, Pennsylvania. The statistics shown are for the years 1980-88. Bob bought these figures so he could track the growth of imports in his area to find out if there were any vehicles he should specialize in. When Bob received the data, he got a little bit nervous. He'd just paid R.L. Polk for nine year's worth of figures, itemized by make, and model year for the import population of Intown. But after seeing this mountain of figures, he wasn't sure what to do with it.

To help Bob navigate this unfamiliar territory, he needs a guide. With this cloudburst of statistics, the road to discovery is rapidly becoming obliterated.

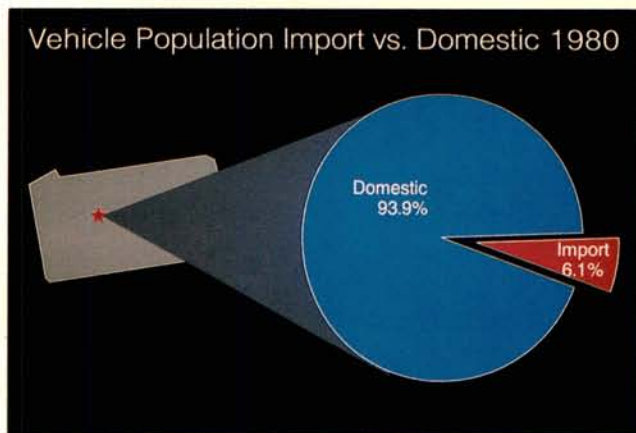
Since a picture is worth a thousand words, we

(Bob's guides on this journey) decided to help Bob make some graphs and charts that would help him to see the trends more clearly.

It takes us several graphs to chart the course of import car growth through the year 1988 in Intown. Through these graphs, we can guide Bob along the paths that specific import makes are taking.

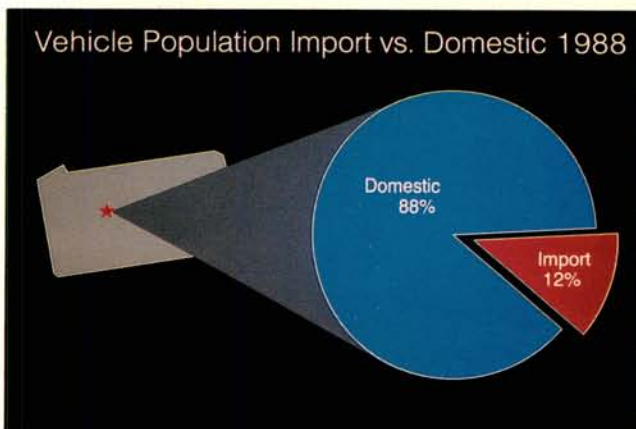
These first two graphs divide the vehicle population into domestics and imports. We have classified imports to include not only vehicles sold by import companies, but also any import vehicles sold by GM/Chrysler/Ford. All percentage figures are rounded to the nearest tenth of a percent. In addition to the R.L. Polk statistics, Bob added information about Intown's total vehicle population which he obtained from the Bureau of Motor Vehicles.

Graph A



In 1980, the total vehicle population for Intown was 441,782. Of those, 26,969, or 6.1% were imports. Domestics accounted for 414,813 vehicles, or 93.9% of the total vehicle population.

Graph B



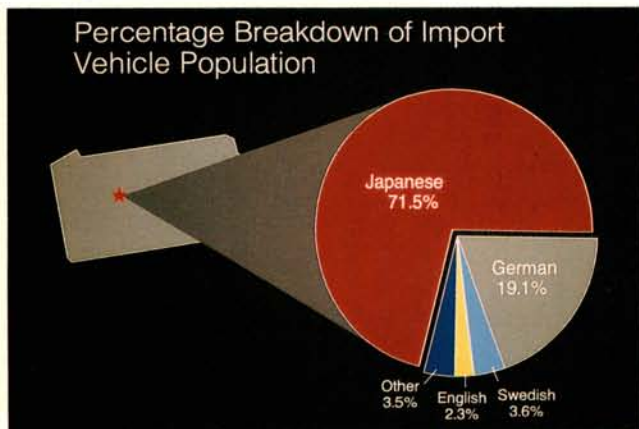
In 1988, the total vehicle population had only increased by 6% to 468,495. The domestic population accounted for 412,236 vehicles, or 88% of the total vehicle population. The import population had almost doubled, to 56,259 vehicles, or 12% of the total vehicle population.

Bob's an avid reader, and he keeps abreast of what's happening in the automotive aftermarket. He recalls that according to an MVMA (Motor Vehicle Manufacturers Association) study, imports accounted for 29.2% of all new car sales in 1988. (For your own copy of MVMA's *Facts & Figures '88*, call 1-313-872-4311.) He also knows that *Import Service's* research has shown that imports make up 28% of the 1988 vehicle population. Intown's figure of 12% is quite a bit lower than that, but the fact that the number of imports doubled from 1980 to 1988 is potentially significant.



As a matter of fact, *Import Service* has done research showing that the national import fleet grew 73% from 1980 to 1988. So Intown's import fleet growth rate is actually a bit higher than the growth rate nationwide. If Intown's import vehicle population growth rate follows that of the rest of the nation, by 1995 about 20% of Intown's vehicles will be imports. That means import repair garages like Bob's can expect to see more and more imports as the years go by.

Graph C



This graph shows the import vehicle population by country.

- Japanese vehicles account for 71.5%, or 40,225 of Intown's import vehicle population.
- German vehicles account for 19.1%, or 10,745 of Intown's import vehicle population.
- Swedish, English, and Other imports make up 9.4%, or 5,271 of Intown's import vehicle population.

At this point, you're probably thinking, "Why

doesn't Bob stop here and go for the Japanese vehicles?" But Bob has paid for the statistics, and he's determined to let them work for him. Even though non-Japanese vehicles account for less than 30 percent of Intown's total import car population, Bob realizes that many of these vehicles are upscale, belong to people with higher incomes, and could very well represent a successful niche business for him.

As a result, he's decided to backtrack. He'll start with the smallest group first, and determine if Intown needs a repair specialist for this limited vehicle population.

Assessing the Need

In order to find out if Intown needs a Swedish, English, or Other repair garage, Bob's also got to consider the following factors.

Dealers in the area. Bob's familiar with most of the dealerships in his area. He's got a pretty good idea who's who, and who's working on what. But he'd better be sure about the dealerships, because they will affect his decision to specialize. A trip to the yellow pages, and a number of phone calls should give him a clearer picture of his competition in the dealer arena.

Import repair garages in the area. Ditto for these. Bob's got a lot of research to do before he can locate his market share. He's got to know his competition.

Specific vehicle population growth. Is the vehicle population for a specific make of car increasing, decreasing, or remaining the same? Rapid sales growth of a certain car in Intown could mean that the dealers will not be able to keep up with service on that vehicle. Likewise, if a vehicle is experiencing a decline in sales, it probably wouldn't be a wise decision to begin specializing on that vehicle.

Parts availability. Are parts for a specific vehicle easy to get? Does the dealer have a captive hold on parts? Are there local jobbers or other sources that can supply Bob with quality parts for a certain vehicle? Can they do it quickly?

Cost of car/cost of repair. Can Bob make a living repairing a vehicle if the initial price of a car is so low that vehicle owners are unwilling to spend very much on repair? Some buyers view really inexpensive cars as disposable.

There are still other items to consider, but these will begin to help Bob fell a few trees and give him a clearer picture of the market share.

Clearing the Path

British Cars. Bob's research has turned up a few things about the British car population in Intown.

- Austin, M.G.B. and Triumph are no longer sold.
- There are 12 Range Rovers in Intown. The year before, there were 7.
- There are 36 Rolls-Royce cars, and the year before, there were 33.
- About 20 Jaguars are sold each year in Intown.

There is one dealer in town who sells Jaguars, and 4 repair garages that specialize in British cars. "With only 1238 British cars in Intown," Bob wonders to himself, "how are the repair garages even surviving?"

No, British cars do not make up Bob's market share. **Swedish Cars.** There are currently 1469 Volvos in Intown. The average rate of growth per year is about 6%. There are 556 Saabs in Intown. The average rate of growth per year is about 5%.

Intown has one Volvo dealer. The dealer has a reputation in the community for honest dealing and quality service. There's also one repair garage that specializes in Swedish cars. Its owner is also very well respected and is known for keeping his customers and their cars happy.

There's also a dealer in town who sells Saabs (as well as three other lines of cars). As a result of this multi-line franchise, the service department is very busy, and customers sometimes have to wait to have their vehicles serviced. Fortunately, the dealership's reputation for fine quality service seems to compensate for occasional customer inconvenience.

If it weren't for the success and continued growth of the independent repair facility, Swedish cars could've been Bob's market share. Not now, though.

French Cars. There are only 456 French cars in Bob's area. Sales are decreasing at a rate of about 14%. Because of the small size of the French vehicle population, Bob seldom sees French cars, and as a result, is not very familiar or comfortable with them.

The dealer in town who sells Peugeot, and the one who sold Renault have both got a pretty good handle on the French service business. Bob's going to scratch French cars from his list.

Italian Cars. The Italian vehicle population is even smaller than the French one—only 411 cars. The last time an Italian car was sold in Intown was in 1987—a Ferrari. There is one repair garage in town that works on exotics. The dealer who sold the Ferrari also works on all Italian cars. Bob's spoken to his local jobbers, and he knows that parts for Italian cars aren't too easy to obtain. This probably isn't the way to go for Bob.

Korean/Yugoslavian Cars. Right now, there are two dealers who sell Hyundais and one who sells Yugos. The dealers are currently the only good source of parts. Bob also knows that Yugo sales are down. And, he figures, how much will the owner of a Yugo be willing to spend on repairs?

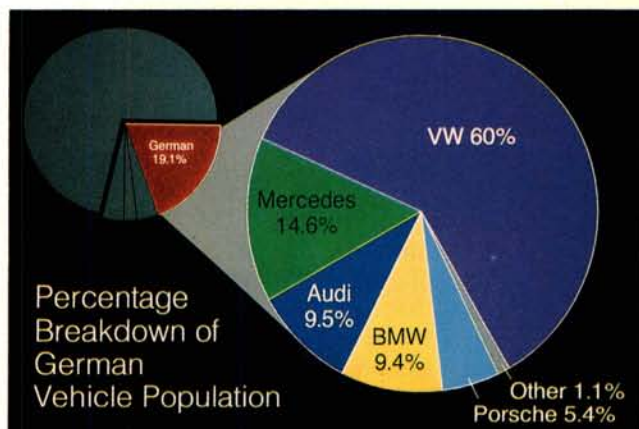
Hyundai may turn out to be a different story. Right now, the Hyundai dealers are doing most of the service. One of the dealers has just expanded his showroom and service department because Hyundais are selling so well. There are 296 Hyundais in Intown, and that number is almost triple the number of Hyundais sold in 1987. If Hyundai sales continue to grow, and parts become more readily available, Hyundai will be worth watching. Even though Bob has decided not to choose Hyundai right now, he's going to do regular follow ups to track the Hyundai market for Intown.

What's Left?

Now that the underbrush has been cleared, Bob thinks he spies the market share. Oh, he's still a long distance away from the creature, but it's slowly coming into focus.

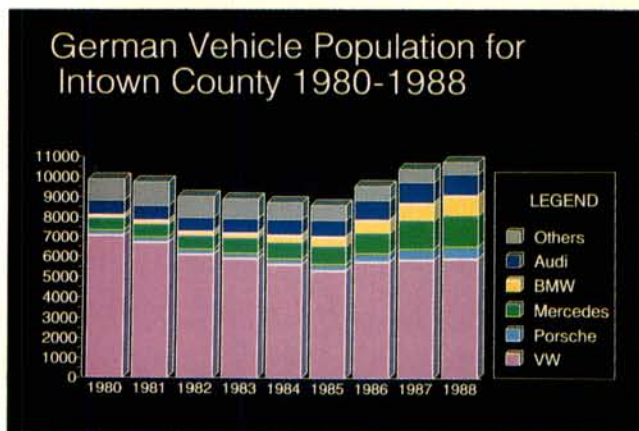
Now Bob needs to look at the next largest import market segment—German cars.

Graph D



German vehicles make up 19.1% of the import population for Intown. This graph breaks down the German vehicle population by manufacturer. Bob knows that there are 10,745 German vehicles in Intown. This chart tells him that 60% of those are Volkswagens. The other vehicles are divided up into Mercedes, Audi, BMW, Porsche, and Other.

Graph E



This graph gives Bob an even clearer picture of German imports in Intown. He can figure out not only how many of each vehicle type there are, but how they've increased or decreased in popularity from 1980 through 1988. He can see that the German vehicle population has remained fairly steady. It reached a low of 8739 in 1985, but since that time, it's crept up to a bit higher than its 1980 level of 9868. Volkswagen sales have been fairly steady and seem to hover around the 6066 mark (average). Mercedes, BMW, and Porsche are all steadily increasing in popularity.

Before Bob can make any decisions about the German vehicles, he's got to look once again at the local competition.

Audi. Currently, there are 1024 Audis in Intown. The Audi population has increased 8% since 1986. Recently, however, Audi sales have decreased. There are two dealers in town who sell Audis. For one of the dealers, Audis represent less than 10% of sales. About 18% of its repair and warranty work is done on Audis. That particular dealer has a good reputation. It has 10 service bays. The other dealer in town does not seem to be interested in using the service department as a profit center, and does not actively compete for non-warranty maintenance and repair service.

There is also a German repair garage in town that's extremely well respected, does all German vehicle repair, has 5 bays, and does about 15% of its work on Audis. Bob does some quick calculations and comes up with the fact that there are 341.3 Audis for each repair facility specializing in Audi repair.

BMW. There are 1014 BMWs in Intown. The BMW population is increasing at a rate of about 7% per year. Two of the three dealers work on twice as many BMWs as they sell. They are obviously very interested in non-warranty maintenance and repair work. As a result, the dealers present some very stiff competition. The German vehicle repair facility listed in the Audi section seems to do a lot of BMW repair. Another independent repair garage that does work on BMW, Porsche, Mercedes, and some exotic vehicles, also seems to do quite a bit of BMW work. Some more quick calculations by Bob reveal that there are 202.8 vehicles for each repair facility specializing in BMW repair.

Mercedes. In Intown, Mercedes is the most popular of the high end German vehicles—there were 1568 Mercedes registered in 1988. Growth is fairly steady—a record 268 were sold in 1987. Sales of Mercedes cars in Intown have increased at an average rate of about 11% a year. There are two Mercedes dealers and two independent repair garages in town that service them. Mercedes sales make up 28% of the first dealer's total sales, and about 37% of all service work performed. The dealer has 10 service bays, and a very good reputation. For the other dealer, Mercedes makes up about 9% of total new car sales, but only 7% of all service work performed in its 8 service bays. Both of the independent repair garages that work on Mercedes were mentioned in the BMW section. Bob calculates that there are 392 Mercedes for each repair facility specializing in Mercedes repair.

Porsche. There are 587 Porsches in Intown. There is only one Porsche new car franchise. Porsche represents about 20% of that dealer's total new car sales. The dealer has a good reputation for service, 10 service bays, and is fully equipped to perform any repair on Porsche vehicles. The same independents mentioned above who work on BMW and Mercedes seem to pick up a majority of the remaining Porsche repair work.

There are 195.7 Porsches for each service facility specializing in Porsche repair.

Volkswagen. There are 5963 Volkswagens in Intown. New car sales have been fairly steady, but seemed to increase slightly when the new Fox model was introduced. There are two dealers and two repair garages that specialize in VW repair. The same dealer who represents stiff competition for BMW repair sells about 75% of all new Volkswagens in Intown. He markets and sells nonwarranty repair and maintenance of VWs as actively as he does maintenance and repair of BMW vehicles. The other dealer sells far less cars, and seems to have very little interest in nonwarranty repair. The German repair garage that we've already mentioned several times does a full 40% of all its repair work on Volkswagens. There are 1490.8 Volkswagens for each repair facility specializing in VW repair.

Based on the graphs and what he's found out about the competition, Bob can make some general conclusions about the German vehicle population.

- 1) There's not enough work for him to concentrate on any one of the German high end cars—Audi, BMW, Mercedes, or Porsche.
- 2) There may well be enough Volkswagens per repair outlet for Bob to consider specializing in VW repair.
- 3) Due to certain similarities in the technology used on German vehicles, Bob might consider investing enough time and money to market himself as a general specialist in German vehicle repair work.



The Road Not Yet Taken

Bob's itchy to end this market share hunt. In fact, right now Bob's thinking that there may well be a place for another German vehicle specialist in Intown. And there are some signs in the road that might point Bob toward German vehicle repair. That market share's a tricky fellow, though. He may have planted the signs as a detour to keep Bob off the real path, the road not yet taken.

Bob's tired and weary, but he's determined to succeed in this market hunt. After a short rest, Bob will continue his quest. He invites us to follow him into the pages of the June issue where he'll take a closer look at Intown's Japanese vehicle population.

—By Marla Schleider