



Hunting Down Your Market Share

PART TWO

In May's "Hunting Down Your Market Share" article, Bob, of Bob's Auto Repair shop in Intown County, Pennsylvania, began a journey into the unknown land of market share.

Why did Bob undertake this long, difficult journey? Bob's shop currently does about 75 percent import vehicle repair. But Bob knows that as technology gets more and more complex, the training and equipment costs to work on all imports are staggering. Therefore, he's decided to consider whether or not he could benefit from specializing in a particular car line. To do that, he enlisted our help.

We ended the May article with a tired, weary Bob, itchy to end his market share hunt. Based on the graphs and data we assembled, Bob was about to call an end to his hunt and specialize in German vehicle repair. That market share's a tricky little fellow though. And now that Bob's had some time to rest and relax, he's ready to continue his search for the evasive market share. Join us now as we help Bob complete his journey.

Backtracking

Let's recap a bit. Here's a brief look at the discoveries Bob made last month about Intown's import vehicle population.

• **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.**

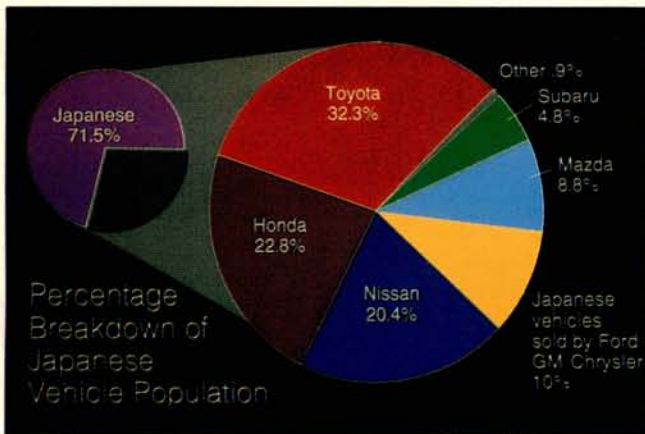
In May, Bob took a look at the Swedish, English, and Other import vehicle populations for Intown. What did he find? He didn't find his market share. He did discover, however, that he ought to keep a close eye on both the Swedish and Korean car market for Intown.

After he looked at those vehicle populations, Bob examined the German vehicle population more closely. He was able to make the following conclusions about it:

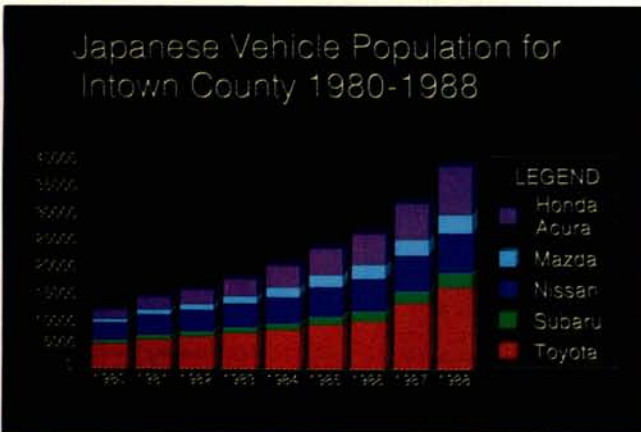
- 1) There's not enough work for him to concentrate on any one of the German high end cars—Audi, BMW, Mercedes, or Porsche.
- 2) There may well be enough Volkswagens per repair outlet for Bob to consider specializing in VW repair, however.
- 3) Due to certain similarities in technology used on German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

On with the Hunt

Now Bob's going to look at the largest segment of Intown's import market—the Japanese cars.



This graph breaks down the Japanese vehicle population that represents 71.5% of the import market share in Intown county. Bob now knows how many of the 40,225 Japanese vehicles in Intown are Toyotas, Hondas, Nissans, Japanese vehicles sold by Ford/GM/Chrysler, Mazdas, Subarus, or Others.



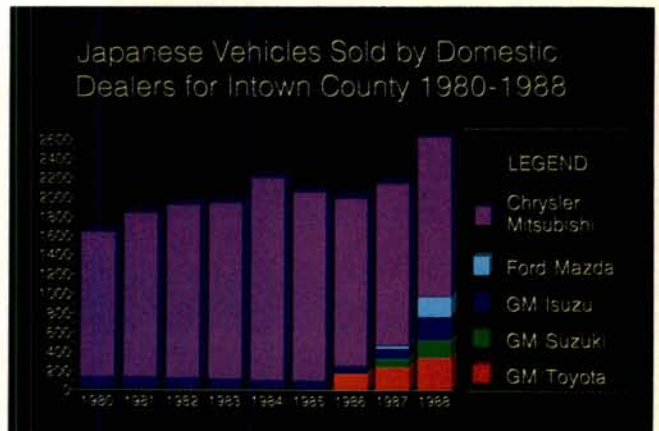
This graph lets Bob follow the Japanese vehicle population from 1980 through 1988 in Intown. You will note the absence of Isuzu, Suzuki, and Mitsubishi from this graph. Because the graph tracks only significant Japanese vehicle populations, and the numbers for Isuzu, Suzuki, and Mitsubishi were very low, we did not include them. Likewise, the figures for Acura from 1986 through 1988 were so small that we included them in the Honda portion of this graph.

What does this graph tell Bob? He notes the step-like pattern of the graph—the Japanese vehicle population for Intown is growing significantly each year. In 1980, these vehicles accounted for 10,930 cars, or 40.5% of Intown's import population. In 1988, the vehicles make up 71.5% of the import vehicle population, or 37,602 cars. While the Japanese vehicle population has increased through the years, Bob notes that Toyota's sales have increased the most, with 2874 more cars sold in 1988 than in 1987. Right on Toyota's wheels is Honda/Acura with 2219 more cars sold in 1988 than in 1987. Placing third is Nissan, with 741 more cars sold in 1988 than the year before.

"Somewhere in here," thinks Bob, "is my market

share." Poor Bob. He's ventured deeper and deeper into the jungle in search of his market share. Just when he thinks he's almost there, we're going to throw one more piece of information at him.

As we waded through names, numbers, facts, and figures, we discovered something very interesting. A lot of cars that showed up on the pages of Bob's R.L. Polk study have been sold by GM, Ford, and Chrysler. In our quest for market share, we encountered Champs and Challengers, Colts and Capris, Spectrums and Sprints. And why, we wondered, couldn't Bob work on those vehicles? It seemed to us that if Bob could work on a Toyota, then he could work on a Nova. And if he was well versed in Isuzu technology, then he should be able to handle a Spectrum. Well, you get the picture. And if you haven't, here's another graph. This graph shows the number of Japanese vehicles sold by domestic dealers in Intown County from 1980 through 1988.



This graph tells Bob that there are a lot of imports out there with domestic nameplates on them. There are 347 more Toyotas than Bob thought there were. There are 204 more Mazdas. And suddenly, the Isuzu, Suzuki, and Mitsubishi population that was insignificant for the previous graph really does exist. In fact, there are 1647 Chryslers in Intown with Mitsubishi technology, 247 Chevrolets using Isuzu technology, and 178 using Suzuki technology.

Bob probably won't want to choose Isuzu, Suzuki, or Mitsubishi for his specialty because they still represent only a very small portion of Intown's import vehicle population. But it's a good marketing strategy for you to consider. If you specialize in a Japanese vehicle, and it's got a "twin" under an American nameplate, that's service you could do—sales you can make!

The End is Near

Back to Bob. He's about to narrow down his market share. With the graphs as his map, Bob's made his decision. If he's going to specialize in a Japanese vehicle, his choices are limited to either Honda, Nissan, or Toyota. Based on vehicle population, and vehicle growth, it's very close. So Bob's going to take a look

at the local competition, just as he did with the German cars.

Honda. There are 8582 Hondas in Intown. Until 1988, the Honda population had been steadily growing at an average rate of about 18% per year. Then, between 1987 and 1988, Honda sales exploded, up 33%. There are two dealers in town who sell Hondas. Hondas make up about 24% of the first dealer's sales, but only about 10% of all service work performed. The dealer has eight service bays, but spends most of his time servicing the other vehicles that he sells. The other dealer in town has an excellent reputation and sells only Hondas and Acuras. He's just expanded his showroom and repair department. Obviously, the dealership is very serious about Honda sales and service.

There's also a repair garage in town that does all Japanese vehicle repair and has four bays. From some of his customers, Bob knows that this shop is usually very busy, and that Honda repair makes up about 20% of its business. His calculations show that he's hot on the trail of the market share now—there are 2860.7 Hondas for each repair facility that does Honda repair. How does Bob know that Honda's a hot candidate for his market share? If each of Intown's Honda owners brought their car in for service just once a year, Bob figures that each repair facility would have to work on almost eight Hondas a day for 365 days to catch up with the work. That's if the repair facilities were open 365 days a year, and were always able to take the work.

Nissan. There are 7454 Nissans in Intown. The Nissan population's growing at a rate of about 11% per year. There are two Nissan dealers, and two repair garages in Intown. One of the dealers is well respected, established, and sells Toyota/Nissan/GM. It has 12 bays, and does about 30% Nissan repair. The other dealer has a poor reputation, and does very little Nissan repair, other than warranty work.

The repair garage, already mentioned under Honda, does about 18% Nissan work. The other repair garage works on Nissans and Toyotas. It has five bays, and an excellent reputation. Some swift stabs at the calculator reveal that there are 1863.5 Nissans for each repair facility doing Nissan repair. Here's a second candidate for Bob's market share.

Toyota. There are 15214 Toyotas, and 347 Novas. There are three dealers in town, and two independent repair garages. Toyotas make up about 35% of total new car sales, and about 41% of the service for the Toyota/Nissan/GM dealer mentioned under Nissan. The second dealership is a Toyota/Chrysler dealer who sells about 22% Toyotas, but only does about 14% Toyota repair. Most of his sales and service is Chrysler related. The third dealer, a Toyota/Mercedes/Mazda dealer, does about 40% Toyota repair, and has 10 bays. This dealership has a very good reputation.

The first independent repair garage, already mentioned in the Nissan and Honda section, does about 35% Toyota work. The second garage has a very good reputation and does Toyota/GM work. Toyota repair

accounts for about 38% of the work done in its six bays. That's 3042.8 Toyotas for each repair facility doing Toyota repair work. Bob's found yet another hot candidate for his market share.

The Final Cut

Bob's hot, he's weary, but he's very, very close. Hondas and Toyotas flash before his eyes as he attacks a few, final tasks.

Warranties. If one of the vehicles has a longer or shorter warranty, that might tip the scales. What does he find out? New Hondas and Toyotas both come with a 3 year, 36,000 mile bumper to bumper warranty. No easy answer here.

Dealer reputation. Bob knows that the Toyota dealers in his area have a pretty good reputation, so even after the warranty's up on a Toyota, it may be hard for him to lure those customers away from the dealer. The Honda dealers in his area, on the other hand, don't seem to command as much customer loyalty. At least, that's Bob's theory.

Frequency of repairs. Based on Bob's own experience with his customers, he's noticed that his Honda customers are conditioned to bring their cars in for maintenance/light repair on a fairly regular basis. The Toyota owners, Bob's observed, don't bring their vehicles in as often, but when they do, the repair is usually more extensive.

Further Research Reveals . . .

"You're so close to the market share," we tell Bob, "don't get lazy now. Talk to your potential customers and find out what their needs are."

Where can Bob get a list of Honda or Toyota owners' names and addresses? Bob called the Data Processing Center of Intown's Bureau of Motor Vehicles. He learned that for 75¢ per name, with a minimum \$75 purchase, the Center will provide him with names and addresses of vehicle owners. For 8¢ a name, he can get the information printed up on mailing labels. In order to get the names, the Data Processing Center requires a written request specifying ZIP code, make and year of car along with a check to cover the cost.

Bob sent in a request for names and addresses of Toyota and Honda owners in the four ZIP codes within 20 miles. He chose 1985 as the model year. When the names came in, Bob had a choice. To smoke that market share out of hiding, Bob could either conduct a telephone poll, or send out a questionnaire to the names on his list.

When we consulted with Becky Bilinovich, Director of Circulation for *Import Service*, we found out that phone surveys net a much higher response than mailings. In addition, they're quicker, and less costly. In order to do a mailing, Bob needs to have the questions printed up, along with a letter of explanation. He's got to pay for postage, printing costs, envelopes—he may

even have to open up a postage account at the post office if he intends to include return postage paid cards.

Phone calls give Bob fast answers. They're definitely time consuming, though. To keep his costs down, Bob's going to make the calls himself. Luckily for Bob,

he's got a very supportive family who's agreed to help him make calls. If Bob's family wasn't willing to make the calls, Bob could hire a telemarketing firm or market research company to do the phone work for him.

Because Bob wanted to spare his poor family from phone-itis, he

narrowed his list of names down to 150, 75 Honda owners and 75 Toyota owners.

When Bob's family made the phone calls, they explained that they were doing a market study for Bob's Auto Repair. They explained that Bob currently does import repair, but was considering investing even more time and money into Honda/Toyota repair, and needed some information from Honda/Toyota owners in order to better serve their needs.

With the phone call, not only is Bob accumulating information, he's painting an image of himself as an import repair specialist who's genuinely interested in customers and their needs!

The Questions

Here are the questions that Bob's family asked his potential customers.

Questionnaire

What is your name?

Are you married/single?

What type of car(s) do you have?

Where are you currently having your car(s) repaired?

Are you happy with the service you're receiving?

What do you look for in a service facility?

What hours do you find it convenient to have your car(s) repaired?

Would you consider changing service facilities?

How often do you take your car(s) in for repair?

On the average, how much do you spend a year on repair work?

How often do you trade your car(s) in/get a new car?

In return for their time, the customers were told that a sheet of discount coupons would be mailed to them. The coupons served as a thank you for their time, and a way for Bob to pull the customers into his shop.



The Answers

What did Bob's phone survey reveal?

Marital Status: 62% of both the Toyota and Honda owners were married.

Sex: 56% of the Toyota owners who answered the survey were the female; 53% of the Honda owners who answered the survey were female.

Type of cars: 93% of the married Toyota owners had two vehicles in the family. Of those second vehicles, about 52% were imports. 94% of the married Honda owners had two vehicles in the family. Of those, about 61% were imports.

Current repair facility: 69% of the Toyota owners were going to a dealer for service. 41% of the Honda owners were taking their cars to dealers.

Customer satisfaction: 72% of the Toyota owners were happy with the place they take their car to be repaired. 47% of the Honda owners

were satisfied with their current service facility.

What customers look for in a service facility: The majority of Honda and Toyota owners agreed that they look for quality and convenience when choosing a service facility. Further probing revealed that quality meant specially trained techs, guarantees, courteous personnel,

and explanations of work done, and costs billed. Convenience meant short or no wait service, easy access to the facility, and convenient hours.

Convenient hours: For most of the Toyota and Honda owners, a shop had convenient hours if it was open before and after customer work hours, as well as weekend hours.

Customers who would consider changing service facilities: 41% of the Toyota owners said they would consider changing service facilities. 67% of the Honda owners would be willing to change service facilities.

Frequency of maintenance and repair visits to service facility:

- 14% of the Toyota owners polled take their vehicles in for maintenance or repair three or more times per year.
- 66% of the Toyota owners polled take their vehicles in for maintenance or repair twice a year.
- 12% of the Toyota owners polled take their vehicles in for maintenance or repair once a year.
- 8% of the Toyota owners polled do not take their vehicles in for maintenance or repair.
- 43% of the Honda owners polled take their vehicles in for maintenance or repair three or more times per year.
- 38% of the Honda owners polled take their vehicles in for maintenance or repair twice a year.
- 15% of the Honda owners polled take their vehicles in for maintenance or repair once a year.
- 4% of the Honda owners polled do not take their vehicles in for maintenance or repair.

Average spent per year on repairs: The average spent each year on repairs by owners of 1984 Toyotas was \$490. 1984 Honda owners, on the average, spent \$567.

Length of ownership: Toyota owners polled keep their vehicles an average of 5.4 years. Honda owners polled keep their vehicles an average of 6.3 years.

Bob's Market Share

As he traveled through the jungle in search of market share, Bob's accumulated a lot of data. Enough to finally recognize his market share—the Honda. It's been a long journey of discovery for Bob. But it's been time well spent.

Bob now knows that less than half of the Honda owners are satisfied with the place that's repairing their vehicle. At least 67% of the Honda owners seem willing to change service facilities. And, 82% of these people bring their cars in for service two or more times a year. He also knows that Honda owners in his area keep their cars almost a year longer than do Toyota owners. That's an extra year of non-warranty customer pay repair and maintenance available to Bob. The Honda owners he polled also spend, on the average, \$77 more per year on repair.

What's Bob going to do about it? Bob's pretty cautious, and he certainly doesn't want to scare away

his other customers while he goes after the Honda market share. And, he also knows that 61% of the married Honda owners who have a second vehicle have an import. It would be convenient for them, and a bonus for him, thinks Bob, if he can work on both the Hondas and the second cars.

So for now, Bob's going to invest in more Honda tools, literature, and training. He needs a new technician. He's been holding off on hiring one until he emerged from his market hunt. Now that he's found the Honda market share, he's going to make sure that the new tech he hires is well-versed in Honda technology. Then he's going to use his discount coupons and other merchandising tools to promote his garage as a one stop import and Honda shop.

And Bob, sharp businessman that he is, knows that there are a lot of Toyota owners out there who also got discount coupons. You can be darn sure that Bob's going to keep his eye on Toyota, too. Because if Bob's learned anything from his hunt for the market share, it's that out there in the market share jungle, only the fittest, most informed shops survive.



Bob has spent a lot of time, effort, and money on this safari into the land of market share. Before he ever began his journey, Bob sought out the facts, figures, and guides that could best help him conquer the market share creature. Once he began his quest, Bob was determined to stick with it until he found what he was seeking. Why? Bob knew that he could improve his business and eventually cut down on costs and increase profits. But first he had to locate his market share, and use this knowledge to shape the course his business would take.

Bob's method may not work for everyone. If you've already developed your market share, you may not want to undertake such a long, time consuming hunt. If you would like to discover more about the import market in your area, keep in mind that vehicle statistics for your area may be quite a bit different than Bob's—your mileage may vary! But you can use this article as your guide to sources of vehicle and owner information, questions that you'll want to ask, and a basic map to follow in your own search for market share.

Happy hunting!

—By Marla Schleider