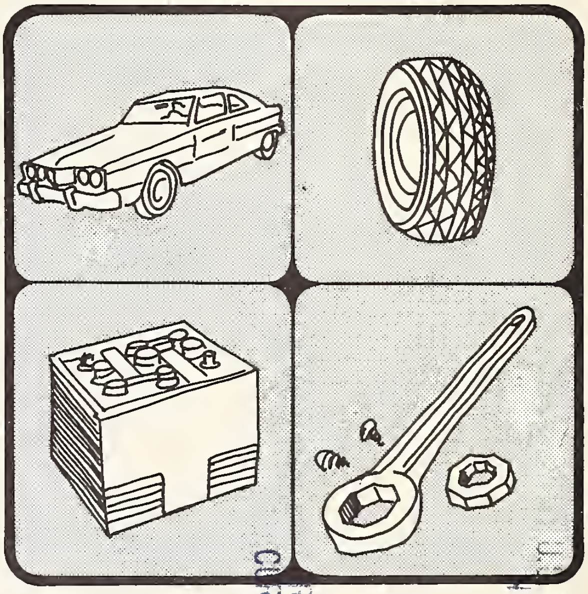
Cooperative Car Care Centers

Operations of Eight in the South



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HIGHLIGHTS

Car care centers are increasing in number and variety of services offered. While their operations are diverse, they generally can be distinguished from the typical "service station" by their emphasis on equipment and service work rather than on retail gasoline sales.

Some cooperatives are beginning to take a look at car care centers as extensions of service station and other petroleum products services to members. Operations of eight new centers in the South indicate a cooperative can provide these additional automotive-related services economically.

Most requirements for operating a successful car care center are the same as for any business operation. Experiences of the eight centers indicate some requirements unique to a farm supply cooperative venture. Among these are the following:

—Facilities and services should be geared to the needs of the cooperative's own membership, rather than to anticipated nonfarm patronage.

—If possible, the center should be adjacent to a cooperative's other farm supply facilities for the trade convenience of members and to allow labor shifts in peak work periods.

—Sharing of office quarters and labor costs can reduce unit costs for the entire cooperative operation.

—Obtaining, training, and keeping specialized help becomes a problem of greater magnitude.

Center performance in the study group generally is characterized as having produced higher volume but lower net margins than expected. This experience should focus attention on the importance of the right size of facility for projected volume, inventory control and turnover, and productive employment of personnel.

Center performance in the study group is satisfactory to the extent that five of the eight were planning an expansion of some kind.

COOPERATIVE CAR CARE CENTERS

Operations of Eight in the South

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A WORTHWHILE VENTURE—IF

Car care centers can provide additional services to members economically if they meet standards of currently successful operations. Among standards are these: (1) facility size does not greatly exceed current or near-term projected volume; (2) capital in inventory is not burdensome as measured by rate of turnover; (3) labor is productively employed; and (4) gross margins, service charges, and expenses are consistent with good business practices.

The term "car care center" provides an umbrella for many types of operations. They include such titles as service center, auto clinic, car clinic, and mini center. The facilities range from service stations with two or three service bays to extended centers with diagnostic equipment and up to 12 service bays. Facilities may include tires, batteries, and accessories; storage; sales showroom; customer lounge; car wash; retail gasoline pumps; and customer consultation rooms.

Centers in this study vary considerably in facilities, ranging from two to six bays. Emphasis is more on sales of automotive equipment and service than on retail sales of gasoline. Equipment sales are principally tires and batteries with services covering balancing, alignment, brakes, greasing and oil change, minor repairs, and some state inspections. None has complete diagnostic facilities.

Car care centers are the latest expansion in petroleum-automotive service to members that began with bulk farm delivery of liquid petroleum fuels, lube oil, and grease. Service then broadened to delivering liquid propane gas for home heating and crop drying and burner service; and retailing of petroleum products and accessories for cars, trucks, and tractors. The recent specialized ventures of some cooperatives into car care centers and on-farm tire service trucks indicate efforts to meet most automotive needs except major overhauls.

Particularly those cooperatives in more urbanized areas are considering expanding automotive services. Though the greater demands of farmers dictate the kind of service, automotive needs for rural and urban patrons are similar. Entry of cooperatives into car care has been slow because of inadequate operating information. Nationally, 12 major oil companies operated 200 specialized car care centers in 1970. The same companies added 101 centers in 1971 and 28 in 1972. While the 1973 *National Petroleum News Factbook* issue reports the present 329 centers, it doesn't provide operating data.

IMPACT ON FARM SUPPLY OPERATIONS

A car care center can be a healthy expansion of petroleum-automotive services for a farm supply cooperative, increasing total volume and reducing per unit overhead costs.

One manager feels the center improved volume in all supply categories. Two think their centers are responsible for bigger volume in fertilizer. Three see an increase in hardware and miscellaneous equipment sales. Four have experienced new bulk petroleum volume.

Six centers report that dollar volume of retail petroleum and tires, batteries, and accessories averaged a 26-percent increase the year before the centers started and a 64-percent increase the first year of operations. Another 27-percent average increase was experienced the second year after the centers started. While the second year increase was about the same rate as before the centers began operation, it was from a higher base.

Center managers believe that both center and farm supply volume could be increased if sales people would capitalize on selling to the increased traffic. It is important, they say, for the sales staff to sell the total cooperative operation.

While four managers are certain that center operations increased volume of retail petroleum and automotive accessories, two question if the increases justify the expenditures.

All managers believe the centers reduce per unit overhead costs for the total operation. At two locations, a building is shared. All managers indicate a sharing of office space or labor costs. In two centers, labor is better utilized by shifting personnel to meet peak needs. A related cost-reduction advantage is the servicing of the cooperatives' mobile equipment.

Adjoining facilities are considered essential to increasing patron traffic, because traffic to one tends to flow to the other.

PERFORMANCE VERSUS EXPECTATIONS

Generally, center performance is higher in volume than expected but lower in net margin. More specifically, where performance varied from expectations:

—Farmer patronage is higher at three centers and lower at three;

—Non-farm patronage is higher at four and lower at two;

—Tire sales and realignment work are higher in five and lower in three;

—Retail gasoline sales are higher in four and lower in two; and

—Net margins are lower in four and higher in two.

Four supply associations report that non-farm patronage the year prior to the center ranged from 1.4 to 11.3 percent and averaged 6.8 percent. In the first year of center operation, this patronage ranged from 1.4 to 14.7 percent and averaged 8.6 percent. In the second year, this volume ranged from 4.9 to 12.5 percent and averaged 9.8 percent.

While this experience suggests that non-producer volume can be expected to increase, the more important conclusion is that most of the increase is from members.

CENTER PROFILES

The market potential for a car care center associated with a supply cooperative depends mainly on two factors: membership patronage of the cooperative and location of the center as an attraction to nonmembers.

With respect to the first factor, patrons of a supply cooperative are provided the opportunity to get automotive services not previously available at their cooperative. For example, where a supply cooperative has a 20 to 30 percent market share in an area, it could look for a similar share of the automotive needs of its patrons.

While location of a center may not be of overriding importance in obtaining the patronage of members of an existing supply cooperative, location would be highly important if patronage is expected from other than farmer-members from the urban and rural non-farm market.

In some rural areas with a declining urban population a cooperative may be the only entity that is interested in providing a total service in automotive and other lines required for farms and homes.

Critical questions that need to be answered prior to undertaking a car care center (1) Is the center feasible with present membership? and (2) Will the center continue to be feasible with a dormant—or possibly declining—membership or must the long-term feasibility depend on new membership and patronage potential? If the latter is true, then some estimate is necessary on the share of the market or additional business expected.

Based on the trade territories of the eight car care centers, the patronage potential is considered to be the counties in which the centers are located. Generally, the centers are in county seats situated near the middle of the counties.

Seven managers estimate that 75 to 80 percent of volume comes from patrons within 10 miles. The eighth center draws 55 percent from areas within 10 miles and 40 percent from areas between 10 and 20 miles away. Only three centers draw minimal volume from beyond 20 miles—10 percent by one center and 5 percent each by two centers.

Table 1, showing the population, farm, and vehicle numbers, indicates the rural nature of the areas served by the centers. Rural population generally is more than double city population and in some instances is 10 to 12 times greater.

Table 1—Population, farm, and vehicle data for areas served by selected car care centers

Brief: Area of study is predominantly rural with small urban centers

Center number	Population, 1970			Farms		Vehicles, 1969		
	County	City	Noncity	1964	1969	Cars	Trucks	Tractors
	Number							
1	18,218	6,056	12,162	590	592	530	534	1,076
2	57,432	36,253	21,179	2,616	2,502	2,320	1,838	2,769
3	28,241	2,661	25,580	2,286	1,943	1,493	1,189	1,465
4	24,318	7,030	17,288	2,301	2,185	1,763	1,564	2,192
5	27,244	2,148	25,096	1,583	1,380	1,229	1,145	1,637
6	29,102	9,720	19,382	2,104	2,113	1,864	1,932	3,135
7	23,749	9,892	13,857	1,501	1,569	1,242	1,331	1,721
8	13,199	2,027	11,172	866	727	574	549	740

Car and truck numbers in 1969 averaged a little less than one each per farm. Tractor numbers averaged a little more than one per farm. In two counties, tractor numbers were about double farm numbers, suggesting probable larger farm size.

Competition for the cooperative car care centers is greater from other service stations offering minor services than from other car care centers. Five of the co-op centers have competition from within two blocks and the other three from areas between ½-mile and 1 mile away. Service stations within a mile from the centers range from 1 to 18. Four of the co-op centers have fewer than 10 competitors within that radius and the other four have more than 10.

Competition from other car care centers is not as concentrated. Within a mile, two co-op centers have no car care center competitors, four have only one, one center has two, and the other has three.

Five of the centers are a mile or more from the town's business center. Two occupy part of the co-op's farm supply building, while the other six have separate facilities.

Facilities

Land area with the centers ranges from 1/3 to 1-1/2 acres.

Building size ranges from 4,000 to 15,000 square feet. Three centers have more than 10,000 square feet.

Type of construction is varied. One building is brick, two are metal, and four are combinations of brick or blocks. One center is wood, having been converted from a warehouse.

Parking spaces range from 10 to 56, including those for both the center and farm supply facilities. One center has fewer than 20 spaces, but most have at least 30 spaces. Some centers have separate or reserved parking for employees.

Office space varies considerably and is unrelated to size of operations. Bookkeeping services often are shared by the center and farm supply operations. Some centers share more than 500 square feet.

Display area for retail merchandise ranges from 400 to 1,800 square feet and averages 1,056 square feet.

Five centers provide space for patron lounges, ranging from 30 to 250 square feet.

Rest room space ranges from 65 to 250 square feet and averages 140 square feet.

Services areas are generally designed according to the special kind of service to be performed. These areas, called bays, range from 400 to 600 square feet.

Space for tire changing and balancing ranges from one to three bays with from 400 to 2,100 square feet.

Alignment space is confined to one bay with from 392 to 600 square feet. The same space is available for changing oil and greasing.

Service work space ranges from 400 to 1,560 square feet.

Figures on storage area are not entirely representative, because racks are utilized and height varies. All centers push tire volume and have substantial tire storage. Floor space ranges from 700 to more than 2,300 square feet. Batteries, also a volume item, are given definite storage space allocation. Three centers have specific repair parts space in addition to that for service areas.

Sales and Service Income

Some comparative data for the co-op centers are available from the *1973 National Petroleum News Factbook*, which shows income items for service station operations in five Tennessee cities. The basis is 1,000 gallons of gasoline per month. Gasoline sales for these stations account for 80 percent of total sales. In the co-op centers, gasoline sales range from 5 to 53 percent, with only four registering 30 percent or more. The factbook stations' tires and battery sales are only 4 percent of total sales compared with the range for the co-op centers of 33 to 78 percent of total sales. Five co-op centers got 50 percent or more of their volume from tires and batteries.

Labor income for the stations averages 5 percent of volume and for the co-op centers 6 to 15 percent.

Gross margin of the stations averages 25.3 percent, compared with 22.5 percent for the centers.

Comparative operating results in table 2 show that centers 2 and 8 with similar sales volume had big differences in net margins with an interesting complication. For instance, the higher gross margin and service income of center 8 was more than offset by its much higher expenses.

The large net loss of center 7 would be more than offset with a more normal gross margin of 23 percent in contrast to its low 15 percent figure. Operating with a low net margin that results in a loss for a cooperative may not provide equitable services to patrons. For instance, patrons purchasing under a low margin that results in net losses are paying less than cost; then if the loss is to be offset in future years by higher margins, patrons of later years pay more than costs.

Service income for the eight centers amounted to 48 percent of gross margin and 32 percent of total margin. Considering service income in relation to total margin is perhaps better than measuring it against total sales. The reason is that cost of sales is the major component in sales, often between 70 and 80 percent, while gross margin—20 to 30 percent of sales—contributes to costs of operation and savings. Thus service income and gross

Table 2—Operating results, car care centers, 1972

Brief: Wide variations exist in gross margins, service income, expenses, and net margins

Center number	Sales	Cost of sales	Gross margins		Service income and share of total margins		Total margin	Expenses	Operating margin	Other income or expense[1]	Total net margin
	Dollars	*Dollars*	*Dollars*	*Percent*	*Dollars*	*Percent*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*
1	190,357	143,274	47,083	24	23,255	33.0	70,308	44,906	25,402	--	25,402
2	166,065	133,089	32,976	20	11,413	25.7	44,389	34,958	9,431	--	9,431
3	495,099	379,047	116,052	23	28,574	19.8	144,626	101,913	42,713	4,917	47,630
4	287,114	215,627	71,487	24	34,095	32.3	105,582	102,500	3,082	6,500	9,582
5	280,200	215,980	64,220	23	18,520	22.4	82,740	68,976	13,764	1,700	15,464
6	317,422	239,000	78,422	24	57,790	42.4	136,212	140,627	(4,415)	8,000	3,585
7	304,869	259,212	45,657	15	41,138	47.4	86,795	103,601	(16,806)	3,003	(13,803)
8	168,945	127,403	41,542	24	24,432	37.0	65,974	69,393	(3,419)	5,000	1,581

[1] Generally, refunds from regional cooperatives.

An easily identifiable feature, other than perhaps the name, that distinguishes the car care center from the conventional service station is that the number of service bays usually exceeds the number of gasoline pumps. Such a facility design signals the emphasis on automotive services other than gasoline.

The second distinguishing feature is interior design providing for much larger square footage for display, primarily tires and batteries, and a large parts department. Advertising and promotion is more complex in a car care center, covering a wide variety of automotive accessories.

margins are the ultimate determinants of income to cover expenses. Their respective contributions of total margin, given a somewhat equal level of efficiency in the use of facilities and labor in both sales and service, suggest their relative importance in operations.

Tires and batteries accounted for more than 50 percent of sales volume in five centers (table 3). Gasoline sales added to tires and batteries sales represented 80 percent or more of total sales in five centers.

In three centers, service income was less than 10 percent of total income (table 4). Service income in the other five ranged between 10 and 15 percent.

Table 3—Principal volume items, car care centers, 1972

Brief: Tires and batteries are bigger volume items than gasoline

Center number	Total sales	Sales items: Tires and batteries		Sales items: Gasoline		Percent of total sales
	Dollars	*Dollars*	*Percent*	*Dollars*	*Percent*	*Percent*
1	190,357	74,943	39	78,559	41	80
2	166,065	54,580	33	88,673	53	86
3	495,099	388,727	78	103,244	21	99
4	287,114	167,013	58	55,200	19	77
5	280,200	156,392	56	88,333	31	87
6	317,422	165,650	52	15,553	5	57
7	304,869	126,556	41	118,490	39	80
8	168,945	92,489	55	15,183	9	64

Table 4—Comparative volume of sales and service income, car care centers, 1972

Brief: Service income is minor part of total income

Center number	Sales	Service income	Total	Service income as a proportion of total income
	Dollars	*Dollars*	*Dollars*	*Percent*
1	190,357	23,225	213,582	10.9
2	166,065	11,413	177,478	6.4
3	495,099	28,574	523,673	5.5
4	287,114	34,095	321,209	10.6
5	280,200	18,520	298,720	6.2
6	317,422	57,790	375,212	15.4
7	304,869	41,138	346,007	11.9
8	168,945	24,432	193,377	12.6

Table 5—Index of sales and service income by month, based on average income of 100 for car care centers in the South, 1972

Brief: Low winter volume is factor in labor and cash flow considerations

Month	Index of monthly volume — Center number 1	2	3	4	5	6	7	8	Average, all centers
Jan.	76	72	76	88	75	72	77	72	76
Feb.	81	76	67	70	76	80	74	80	75
Mar.	95	93	98	105	89	120	110	120	104
Apr.	109	114	122	118	110	114	109	114	114
May	100	114	109	120	96	108	122	108	110
June	114	132	115	90	108	106	126	106	112
July	97	103	102	89	97	90	106	90	97
Aug.	97	99	98	92	100	92	102	92	96
Sept.	115	105	101	99	107	106	111	106	106
Oct.	100	95	97	116	113	98	91	98	101
Nov.	119	103	117	124	135	117	89	117	115
Dec.	96	99	98	90	94	98	83	98	94
Ranges	76-119	72-132	67-122	70-124	75-135	72-120	74-126	72-120	75-115

Major Expenses

In comparing the major expense items in table 6, consider factors that could account for variations in expenses as reported. Among these could be: (1) Variation in accounting procedures among centers both within and between regions; (2) difference in allocation of overhead within a cooperative for such items as shared management, office space, and use of facilities; and (3) problems of adapting and uniformly transferring expense information from center operating statements to the survey form.

The car care centers are considered sufficiently similar to compare sales and income per employee as a measurement of effective employee use. Table 7 indicates that the highest sales figure per employee was more than double the lowest. However, it is important to remember that service income tends to reduce sales per employee. The three centers with the highest sales per employee also had the lowest service income as a percentage of total income. And the center with the lowest sales per employee had the highest service income as a percent of total income.

Labor is the dominant expense item, as shown in tables 6 and 7, accounting for an average 54 percent of total expenses. This high proportion points to the significance of using labor efficiently.

As a percent of total income, labor averaged 15 percent and ranged from 8.1 to 23.5 percent. Five expense items accounted for 80 percent or more of total expenses in 7 centers and averaged 83 percent for all centers.

Three centers with lowest number of employees (average 5) had sales per employee of $51,300. Three centers with highest number of employees (average 11) had sales of $39,177 for each employee.

In the three centers with lowest number of employees service income was 7.6 percent of total income. By contrast in the three centers with highest number of employees, service income was 10.5 percent of total income. Thus increased service income was related to a higher number of employees. Net margin was 7.4 and 4.4 percent, respectively, for the centers with high and low number of employees. Providing service requires more labor and challenges a center to utilize service labor effectively.

Table 6—Major expense items as a proportion of total expenses and total income, car care centers, 1972

Brief: Labor is the major expense item

Expense item	Proportion of total expenses								Average, all centers
	Center number								
	1	2	3	4	5	6	7	8	
	Percent								
Labor	54	41	59	56	52	63	56	53	54
Interest	10	10	11	11	16	10	15	14	12
Deprec.	8	6	12	6	15	7	12	10	9
Advertising	6	6	6	12	2	3	3	3	5
Utilities	2	2	3	4	3	3	2	5	3
Total	80	65	91	89	88	86	98	85	83
	Labor as a percent of total income								
	11.3	8.1	11.5	17.7	12.1	23.5	16.9	19.1	15.0

Table 7—Sales and service income per employee, and labor expense, car care centers, 1972

Brief: Sales and service income per employee declined with increasing number of employees

Center number	Sales and service income	Number of employees	Income per employee	Service income as percent of total income	Labor as percent of total income	Labor as percent of total expense
	Dollars	*Number*	*Dollars*	*Percent*		
1	213,582	6	35,597	10.9	11.3	54
2	177,478	3	59,159	5.7	8.1	41
3	523,673	10	52,317	5.5	11.5	59
4	321,209	8	40,151	10.6	17.7	56
5	298,720	5	59,744	6.2	12.1	52
6	375,212	15	25,014	15.4	23.5	63
7	341,007	7	48,715	11.9	16.9	56
8	193,377	7	27,625	12.6	19.1	53
Average	--	--	--	9.8	15.0	54

Relationships of Net Margin to Gross Income and Assets

The four centers with lowest return on assets had sales and service income of 1.4 times assets (table 8). Those with highest returns had receipts of 2.1 times assets.

An unfavorable ratio of assets to sales often exists when new facilities are built in anticipation of future sales.

Relationships Based on Inventory Turnover

Inventory turnover is often considered an important measure or indicator of good business operations. The four centers with highest inventory turnover average 7.8 times compared with 3.9 times for the four centers with the lowest turnovers (table 9). The high

Table 8—Assets, sales and service income, and total net margins as a percent of total sales and service income and assets, car care centers, 1972

Brief: Sales volume in relation to assets is a factor in determining return on assets

Center number	Assets	Sales & service income	Total net margins	Net margins as a percent of	
				Total income	Assets
	Dollars			*Percent*	
1	112,522	213,582	25,402	11.9	20.9
2	54,141	177,478	9,431	5.3	17.4
3	246,198	523,673	47,630	9.1	19.3
4	148,038	321,209	9,582	3.0	6.5
5	155,759	298,720	15,464	5.2	9.9
6	360,019	375,212	3,585	1.0	1.0
7	227,295	346,007	(13,803)	(4.0)	(6.1)
8	188,674	193,377	1,581	0.8	0.8

turnover group averages a net margin of 7.9 percent compared with 0.2 percent for the low turnover group.

Considerably greater inventories are being carried by centers with fewer turnovers. The low group averages $70,000 in inventory and the high group $38,000.

Total capital for the group with few turnovers is nearly twice the amount for the group with higher turnovers. Depreciation, repairs, taxes, and interest could be higher, also, and these would affect net income. The most remarkable difference to show up between the high and low turnover groups is in the return on assets. The high group returned 16.9 percent; the low group, 0.6 percent.

Net margins for the higher turnover group average 7-½ times greater than the low turnover group.

In summary, the four centers with fewer turnovers have lower margins, more capital in inventory, higher total capital, and lower sales in relation to total capital employed. While operations for 1 year aren't sufficient basis for specific conclusions, a low sales ratio to total capital and inventory produced unfavorable results.

Capital Requirements

The requirements for capital vary considerably among the centers. The dollar and relative amounts by use and total show in tables 10 and 11. In general, centers with facilities that were more than adequate for current sales also had excessive inventories. Where facilities are built for increased sales volume in the future, special attention should be given to refrain from overstocking just because the space is available.

Capital requirements apparently aren't greater for those centers with the highest proportion of service income. The four centers with the greatest percent of margin from service income employed an average of $169,000, compared with a $204,000 average for the four centers with lowest percent of margin from service income.

All centers made sales on credit, with credit sales ranging from 40 to 80 percent of total sales. However, only one manager considers credit sales a problem as they relate to new nonmember volume. While commercial credit cards are generally accepted, their use accounts for a low percent of sales.

Advertising and Promotion

Managers are generally satisfied with advertising at the time centers opened but have varying appraisals of continuing promotional programs. One manager who continued

Table 9—Comparison of selected operational measures arrayed on basis of inventory turnover for four car care centers with high and four car care centers with low inventory turnover

Brief: High inventory turnover is important for successful operations

Center number	Sales	Average inventory	Inventory turnover	Assets	Assets turnover	Percent of assets in inventory	Percent of margin from service income	Labor as percent of total expense	Net margins as percent of total income	Return on assets
	Dollars	*Dollars*	*Number*	*Dollars*	*Numbers*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Centers with highest inventory turnover										
2	166,065	15,000	11.0	54,141	3.1	27.7	25.7	41	5.3	17.4
3	495,099	62,500	8.0	246,198	2.0	25.4	19.8	59	9.1	19.3
5	280,200	40,000	7.0	157,259	1.8	25.4	22.4	52	5.2	9.9
1	190,357	37,713	5.1	112,522	1.7	33.5	33.0	54	11.9	20.9
Average	282,930	38,803	7.8	142,155	2.15	28.0	25.2	52	7.9	16.9
Centers with lowest inventory turnover										
7	304,869	60,622	5.0	227,295	1.3	26.7	47.4	56	(4.0)	(6.1)
4	287,114	60,000	4.8	154,853	1.9	38.8	32.3	56	3.0	6.5
6	317,422	101,091	3.1	360,109	0.9	28.1	28.1	63	1.0	1.0
8	168,945	60,000	2.8	188,674	0.9	31.8	31.8	53	0.8	0.8
Average	269,587	70,428	3.9	231,006	1.25	31.4	34.9	57	0.2	0.6

Table 10—Utilization of capital in 8 cooperative car care centers in the South, 1972

Brief: Buildings and inventory account for more half of total capital

Center number	Land & parking area	Bldg.	Equipment	Inventory	Credit	Operating	Total
	Dollars						
1	7,061	24,849	19,562	37,713	19,595	3,742	112,522
2	2,300	17,000	12,841	15,000	6,000	1,000	54,141
3	21,845	97,137	26,716	62,500	28,000	10,000	246,198
4	1,250	56,418	18,000	60,000	15,185	4,000	154,853
5	1,500	69,371	19,201	40,000	22,187	5,000	157,259
6	2,500	176,258	19,260	101,091	50,000	11,000	360,109
7	16,500	96,769	14,284	60,622	34,620	5,000	227,295
8	8,000	77,844	14,830	60,000	25,000	3,000	188,674

Table 11—Use of capital as a percent of total capital by 8 cooperative car care centers in the South, 1972

Brief: Buildings and inventory account for more than half of total capital

Center number	Land & parking area	Bldg.	Equipment	Inventory	Credit	Operating	Total
	Percent						
1	6.3	22.1	17.4	33.5	17.4	3.3	100.0
2	4.2	31.4	23.7	27.7	11.1	1.9	100.0
3	8.8	39.5	10.8	25.4	11.4	4.1	100.0
4	0.8	36.4	11.6	38.8	9.8	2.6	100.0
5	1.0	44.1	12.2	25.4	14.1	3.2	100.0
6	0.7	48.9	5.3	28.1	13.9	3.1	100.0
7	7.2	42.3	6.4	26.7	15.2	2.2	100.0
8	4.2	41.3	7.9	31.8	13.2	1.6	100.0
Average	4.3	38.2	11.9	29.6	13.3	2.7	100.0

heavy opening advertising for 3 months believes it really "put the center on the map." Another manager feels appraisal is difficult because advertising costs are rising and some promotions require a big increase in volume to compensate. One manager credits patrons and friends with bringing in new volume rather than as a result of advertising. Boxholder mailings as the sole promotion proved satisfactory for one center. One manager believes more emphasis should be placed on reaching farmers.

Opening Promotion

Effort to get public attention for the center opening concentrated on newspaper and radio publicity plus direct mail, signs, and banners. Drawings for merchandise, service certificates, and free or reduced prices on refreshments were employed.

Newspaper space for beginning advertisements generally were a full page beginning 2 weeks ahead of opening date. A variation was a half page twice a week for 3 weeks. Only one center did not advertise. It started at a low level of operation and gradually expanded to four bays.

Radio advertising consisted of short spots and broadcasts from the centers. One center bought four 1-minute spots per day for 5 days prior to opening. Four centers using on-location broadcasts interviewed patrons, described facilities, and talked about products and services.

Opening day announcement fanfare featured banners, signs, and direct mail to members. On opening day, food and treats were common—consisting of gum and candy for children and hot dogs and drinks for all. Merchandise was discounted—four items for the price of three, for example. Tires were awarded in drawings, and certificates were given for free services such as tire balancing. One center conducted a commodity hunt within the display area to get patrons acquainted with inventory.

Ongoing Promotion

Five centers are using newspaper and radio advertising regularly. Once-a-week advertisements are most common for newspapers. Radio spots are daily. One center sponsors 5 minutes of news at 7 a.m. plus three additional brief mentions 5 days a week. The regional cooperative helps the centers with radio efforts by preparing the wording of the spots.

Direct mail goes out either independently or enclosed with monthly bills. Some originate with the local; other pieces with the regional.

Supplier advertising and aids, point of sale displays, and merchandise gifts are among other promotional practices.

Future Plans

Car care is proving to be a satisfactory service to members to the extent that five of the eight study centers were planning an expansion of some kind. Three managers were to devote more space and two planned to double area for service work. Two managers were going to add new equipment. One center was planning to add tuneup service and another tractor service. No relocations were being considered, although one manager feels total operations would be improved if both bulk petroleum and car care centers were at the same location. Most centers had this arrangement.

Two managers are interested in adding more automotive merchandise. One plans for more tires but fewer radios, tapes, and other auto accessories. New merchandise that was being considered included boats and motors at one center and a motorcycle dealership at another.

PROBLEMS AND SOLUTIONS

Most problems at opening appear to be employee-oriented, although one manager observes that labor was the problem "then, now, and forevermore."

Another early shortcoming concerned management's inability to use labor efficiently. One center began operations with the manager failing to use work orders or to designate a shop foreman. Another manager found it difficult to establish priority of service during rush periods. The question was whether demand at the gas pump justified transfer of labor from service work.

Among other early-day problems are establishing adequate charges for service and the right selection and quantity of inventory.

A continuing problem has been keeping qualified employees after training them. Conflicts develop in serving farmer and urban patrons. One manager favors serving farmers first with respect to both time and type of service. Lack of space, low buying power for parts, and poor inventory control are other after-opening problems to expect. Changes may need to be made in credit policies to accommodate and encourage new nonfarm patrons. Emphasis is placed on control of credit at time of sale when serving new patrons. One manager stresses the importance of carrying a full-service line to satisfy and retain patronage.

Continuing employee problems have been: (1) getting interested and reliable help; (2) training new employees; and (3) establishing pay scales and incentive plans. Wages are hourly. They ranged at the time of the study from $1.60 to $2.45 per hour in the center with lowest wages and $2.35 per hour to $2.75 per hour in the center with the highest wages.

The one center with a net loss indicates what unfavorable circumstances can develop with a low gross margin. The center's 15 percent gross margin compares with the average 22.5 percent for the eight centers. With the average gross margin, this center would have added $23,000 to net margins and realized a 3.5 percent total net margin rather than the reported 4 percent loss. Return on assets would be a possible 4.7 percent instead of a 6.1 percent loss.

In addition to distorting comparisons, the low gross margin has other serious implications. Sales do not cover costs of operation. Capital is depleted, and if the loss is to be recouped from operations, future patrons will pay more than costs to the extent that past patrons paid less than costs. A continuing loss without infusion of new capital soon limits ability to maintain inventories, weakens credit position with suppliers, and impairs working capital.

Special attention should be given to the amount of capital to be utilized in facilities and inventory. A facility that is overbuilt in anticipation of future volume may cause such a heavy burden of depreciation and interest costs that possible resulting losses may require several years of successful operations to overcome.

Likewise, a facility with excessive showroom and storage space may encourage overstocking. Too large an inventory is a heavy drain on efficient operations. Not only is there a capital cost but also costs of insurance, taxes, space for carrying unsold seasonal items to next sale season, obsolescence, and the necessity of selling old stock at less than cost place a burden on operations. Cost of carrying inventory is calculated at around 25 percent of inventory value.

Other current problems concern inadequate space, excessive outstanding credit and slow collection from nonfarm patrons, and fluctuation of business. Volume of business was higher than facilities and labor could effectively handle at one center.

Efforts to correct problems have been undertaken in employee training, facility improvement, and operational inefficiencies. Training of employees is achieved on the job and through company and equipment schools. Training programs are directed toward selling techniques, personal attitudes, and public relations. One center holds weekly employee meetings. In the beginning, specialized labor was often developed from within, because managers felt the centers couldn't afford a specialist until volume increased.

One center has expanded from three to five service bays. Some centers have changed pricing structure. Others have begun using shop orders and perpetual inventory accounting.

Managers have these operating suggestions for cooperatives comtemplating car care centers: (1) Establish and maintain the position of shop foreman; (2) train employees for more than one job; (3) encourage employees to schedule work; (4) never turn away a patron because the service bays are full; (5) spread responsibility to lighten load for managers; (6) place first emphasis on selling tires; (7) continually strive to upgrade performance of labor; and (8) exchange manpower between car care center and farm supply to ease peak workloads.

FARMER COOPERATIVE SERVICE
U.S. DEPARTMENT OF AGRICULTURE

Farmer Cooperative Service provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The Service (1) helps farmers and other rural residents obtain supplies and services at lower cost and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

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