

A MARKETING PLAN FOR AN OIL COMPANY'S
"TIRES, BATTERIES, AND ACCESSORIES"
DEPARTMENT

By

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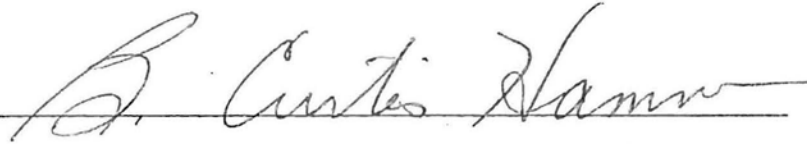
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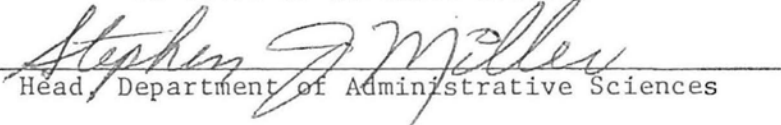
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TABLE OF CONTENTS

Chapter	Page
I. INTRODUCTION	1
II. INDUSTRY TRENDS.	4
III. ENVIRONMENTAL MODEL.	11
Cultural Change Model.	11
Competition Model.	15
Legal Model.	17
Economic Model	18
Technology Model	20
IV. INDUSTRY SALES MODEL	23
Customer Group and Total Volume.	23
Products	25
V. COMPANY "FIRM" MODEL	28
Company Goals.	28
Distribution	29
Service-Price Strategy and Site Location	31
Physical Distribution.	32
Sales Considerations	33
Pricing.	34
Sales Force.	37
Advertising and Media Decisions.	38
VI. FIRM OBJECTIVES AND STRATEGIES	39
VII. SUMMARY.	48
BIBLIOGRAPHY.	50

LIST OF TABLES

Table	Page
I. Selected Driving and Travel Cost Patterns	6
II. Growth of the Aftermarket 1975-1980	7
III. Growth and Decline 1975-1980.	9
IV. The Most Important Cause of Growth in the Do-It-Yourself Market is:	12
V. Do-It-Yourself Product Sales.	13
VI. Public Criticism Will:	14
VII. Trade Channel Competition-1975.	15
VIII. Market Share Between 1960-1980.	16
IX. Dollar Size of Major Retail Market Segments-1975.	24
X. Dollar Size of Major Retail Market Segments-1980.	25
XI. Customer Expenditures on Product and Service.	26
XII. Customer Expenditures on Product and Service by Channel 1975.	27

LIST OF FIGURES

Figure	Page
1. Objectives, Strategies, and Programs.	45
2. Marketing Record Sheet: TBA Manager.	46
3. Marketing Record Sheet: Service Station Managers	47

CHAPTER I

INTRODUCTION

The objective of this paper is to develop a marketing plan that may be used by a specific company to achieve specific results. All efforts were made to insure that the information gathered is accurate, presented in a clear, concise manner, and pertinent to the subject at hand. Due to the lack of complete information, several assumptions were made in order to successfully complete this project. They are listed at the end of this introduction.

The industry chosen was the TBA (Tires, Batteries, and Accessories) industry or otherwise known as the automotive aftermarket. This choice was based on the author's strong interest in the oil and gas industry. The TBA industry is a part of many oil companies, thus the reason for its selection. By narrowing down the subject area to TBA, and subsequently choosing a particular company in this industry, the attainment of the goal of developing a marketing plan was made possible.

The information for the chapters on Industry Trends, Environmental Model, and Industry Sales Model was obtained from many sources. The information obtained for the chapter on the Company Firm Model was obtained from the TBA manager of the specific company chosen. Without his invaluable assistance and sincere interest, only a tenuous effort could have been made to write this chapter. Due to legal complications in using the specific firm's name in publications, the fictitious name

of "the Oil Company" is used, and when referring to the relevant department of the firm, "the TBA Department" is used.

ASSUMPTIONS

1. Although the TBA Department is a relatively minor, ancillary part of the Oil Company's operations, it is assumed to be important enough to warrant an in-depth look at the niche it occupies. Thus, the need to maximize its performance.
2. The TBA Department of said Oil Company is autonomous enough to implement policies to achieve goals without gratuitous interference from corporate management.
3. The cost of implemented policies is low enough to allow an adequate return on increased sales. (All efforts were made to be reasonable, but due to not having access to approximated costs of various policies, profitability could not be accurately estimated.)
4. Necessary personnel to implement policies are assumed to be available.
5. Due to the lack of detailed information concerning the Oil Company's specific competitive position, the general competitive model (in the Environmental Model Chapter) for the TBA industry will have to suffice, vis-a-vis the marketing plan.
6. There will be no major innovations in the present transportation system or orders from government that will make automobiles obsolete or their importance greatly reduced (i.e., a new mode of transportation or a mandate from government to utilize mass transportation systems).
7. There will be no Arab (or OPEC, foreign, etc.) oil embargo. If this in fact were to happen, the automotive aftermarket would be greatly affected. In addition, it is assumed that adequate gasoline supplies will be available at reasonable prices.
8. Information disseminated in this paper is in fact accurate and representative of the automotive aftermarket.

In order that an effective marketing plan can be formed and implemented, it is necessary to have as much relevant information as possible in order to accurately evaluate the current status of the TBA industry and what its future looks like. In order to accomplish this, an analysis of the industry was done. The analysis covers the following

three main categories:

1. Industry Trends
2. Environmental Model
3. Industry Sales Model

With the information obtained from this analysis, the marketing plan for the "TBA Department" was formed as well as a method of implementation.

CHAPTER II

INDUSTRY TRENDS

The prospects for growth in the automotive aftermarket appear to be excellent. An analysis of growth forecasts following the energy crisis indicates that the automotive aftermarket will not stop growing. The energy crisis, and thus higher prices, will make practically no difference to growth in the size of the market. The use of the motor vehicle (such as for leisure and business reasons) is more acceptable than other modes of transportation. People, therefore, will make arrangements financially in order to use one. Patently, the use of motor vehicles is being restricted in many ways. But because it is the people's choice and desire to use them, sacrifices will be made to ensure their continued use as a means of transportation. Thus, the reason for an optimistic future.

The United States is experiencing an amazing population explosion of automotive vehicles. The nation's total population of cars, trucks, and buses in use is still much smaller than its total human population - 129 million as compared to 217 million as of 1977. But its vehicle population is growing 2.5 times as fast in absolute numbers, and 4.9 times as fast in percentage terms. And in spite of the "energy crises," this growth of vehicles has accelerated in the 1970's to an average net gain of 4.3 million per year. That is 76 percent more than the corresponding annual gain in the 1950's and over 40 percent above that of the

1960's.¹ These statistics verify the fact that the automobile will continue to be in great demand, thus the demand for repair and maintenance should likewise be great.

The wearing out of automotive vehicle parts, which requires their subsequent replacement, primarily depends on total miles driven. Other considerations include corrosion and collision damage, but the major determinant of the rate of parts replacement is mileage, which in turn, is influenced by the level of economic activity, operating costs, and fuel availability.

The effect of recessions, and perhaps of fuel shortages, is most noticeable in the average miles traveled per vehicle. The persistent growth in the number of licensed drivers, a result of population growth, however, together with other demographic changes such as the growth in the number of working wives who require cars to get to their jobs, and the move to the sun belt where mass transportation is less available, have resulted in consistent growth in the number of vehicles on the road. That consistent growth in the car population substantially smooths out the effect of lower average miles driven per vehicle during a recession.

Table I, supplied by the Hertz Corporation, indicates the American public's desire and need for automotive transportation despite the rising costs of transportation.

¹Anthony Downs, "Population Explosion - of Automobiles," Across the Board, July, 1979, pp. 23.

TABLE I

SELECTED DRIVING AND TRAVEL COST PATTERNS				
<u>Year</u>	<u>Miles Per Auto</u>	<u>Total Auto Miles Traveled</u> (billions)	<u>Average Price of Gasoline</u> (per gallon)	<u>Total Operating Cost *</u> (per miles)
1978				33.1¢
1977	9,199	1,049	64.6¢	30.1
1976	9,015	989	61.0	28.1
1975	8,901	956	57.5	27.2
1974	8,732	916	55.0	23.8
1973	9,597	977	38.8	20.2
1972	10,362	1,003	36.1	19.7
1971	10,280	954	36.4	19.7
1970	10,090	901	35.7	19.0
1960	9,545	588	31.1	14.4
1950	9,032	364	26.8	10.9

* For an intermediate size car driven 10,000 miles a year and owned for three years.

Source: The Hertz Corporation.

In terms of consumer expenditures, the proportion of total consumer expenditures made in the 444,000 automotive stores in North America has increased by more than one-third over the last ten years. An interesting note is that the percentage of consumer expenditures in automotive stores now exceeds expenditures in food stores.

In terms of vehicle registrations, a rise of 14 percent can be expected by the end of 1980. This means that apart from the aberration caused by the 1974-75 recession, road travel and registrations are unlikely to be affected by the higher price of oil. Such differences from

this growth forecast, such as during 1974-75, arises primarily from the economic downturn rather than increased gasoline prices. The consensus of industry executives is that the automotive aftermarket will increase at a faster rate than registrations.

Table II shows the retail growth of the automotive aftermarket from 1975 to 1980. It takes into account the complex interaction of many variables, the impact of the life-cycle stage of the market, expected inflation (which was given as three percent), consensus of industry executives and other appraisals. Also, it considers the evolving nature of the market.

TABLE II

GROWTH OF THE AFTERMARKET 1975-1980			
Years	Volume Growth	Price Increase percent	Total Change
1975	-5.6	12.0	6.4
1976	7.6	9.0	16.6
1977	7.6	7.0	14.6
1978	2.2	5.0	7.2
1979	2.5	3.0	5.5
1980	2.4	3.0	5.4
Years	Market Size \$billions	Vehicle Registration millions	Average/Vehicle dollars ..
1975	52.6	144	365
1976	61.3	148	414
1977	70.3	153	463
1978	75.3	156	483
1979	79.5	160	497
1980	83.8	164	511

Source: Emil J. Bonkoff, Survival in the Automotive Aftermarket, St. Albans, Vermont, 1976.

It should be noted that this market does not grow at a standard annual rate but follows the underlying rate of increase in the 3 to 10 year old motor vehicle age group which accounts for 85 percent of the demand for automotive parts, accessories, and service. Also, the negative 5.6 volume growth of 1975 was due to the recession of 1974-75.

Now that changes in total growth have been shown, one must be aware of the nature of these changes and how the market will evolve during these five years. Emil J. Bonkoff, author of Survival in the Automotive After-market, explains how there is now a change from the "traditional market" to what he calls the "intensive" market. His definition of "intensive" market is as follows: "a system of vehicle operations in which additional money and work are spent on repair and maintenance to produce safer, quieter, cleaner, and energy conserving vehicles."

These new demands are being imposed by both the government and consumers. Technological developments are being designed to correct the main problems of the industry, such as fumes, noise, accidents, and energy waste. To correct these problems, it is imperative that motor vehicles be maintained within their designed specifications. Thus, the main reason for the evolution of the "intensive" market.

Table III is a statistical overview of how the market will evolve and the magnitude of the change.

TABLE III

GROWTH AND DECLINE 1975-1980

Years	Intensive Market\$ billions	Traditional Market\$ billions	Total
1975	-	52.6	52.6
1976	1.0	60.3	61.3
1977	7.0	63.3	70.3
1978	15.0	60.3	75.3
1979	24.0	55.5	79.5
1980	33.0	50.8	83.8

Source: Emil J. Bonkoff, Survival in the Automotive Aftermarket, St. Albans, Vermont, 1976.

As one can readily see, the new "intensive" market will show phenomenal growth from \$1 billion in 1976 to \$33 billion by 1980. The "traditional" automotive aftermarket of so many years will decline dramatically.

Applying the life-cycle concept to this industry, the "traditional" aftermarket is in the saturation stage and rapidly approaching the decline stage. Conversely, the "intensive" aftermarket is in the very early stages of growth, with a promising future.

The present life-stages in the market therefore will be a complex period for those in this industry. The volume of many traditional products and equipment will be declining, while new products, new distribution chains, and new types of precision servicing outlets will be developing. New and significant products will be sold at much higher prices with greater service in the "intensive" market, while obsolete products will be sold at significantly lower prices in the "traditional"

market. This change will be relatively accelerated because of government intervention, new technology, management innovations, and customer reactions.

Management in regard to this new "intensive" market has three strategic options. They may 1) take no action to market changes, 2) react to market changes, or 3) plan and prepare for the market changes. Alternative three is suggested for those who wish to be a viable competitor in the automotive aftermarket in the very near future.

CHAPTER III

ENVIRONMENTAL MODEL

Cultural Change Model

The attitudes of the American people are changing in respect to the automotive aftermarket. Customer reactions to conventional styles of merchandising and servicing in this market are focused on an urge to "do-it-yourself". Rather than having a service center make all automobile and truck repairs, the American people are on a trend of doing any repairs or replacements of which they are capable. This is evident at both the individual consumer level and at the commercial fleet level.

Consumer and commercial customers increasingly are "doing-it-themselves" as they become more dissatisfied in the services and higher prices in conventional channels. That is to say that product-prices and performance of repairs and maintenance services are being perceived by customers, increasingly, as unsatisfactory.

Industry executives forecast clearly the development of dissatisfaction in regard to prices and servicing. Their concensus is shown in Table IV.

TABLE IV

THE MOST IMPORTANT CAUSE OF GROWTH IN
 THE DO-IT-YOURSELF MARKET IS:

	% of Panel
Increase in cost	92
Not enough mechanics or technicians	50
Increased liesure time	38
Pride of doing	15

Source: Emil J. Bonkoff, Survival in the Automotive Aftermarket,
 St. Albans, Vermont, 1976.

The "percent of panel" consisted of two votes per executive (first importance and second importance).

Between 1975 and 1980, there will be rapid growth gains in "do-it-yourself" sales to individuals and to commercial fleets. Table V shows the degree of change expected.

TABLE V

DO-IT-YOURSELF PRODUCT SALES

<u>Trade Channel</u>	1975		
	<u>Total Sales</u> \$ millions	<u>Individuals</u>	<u>Fleets</u>
Mass Merchandisers	8,900	3,600	-----
Jobbers	12,300	1,800	1,500
Total	21,200	5,400	1,500
	1980		
<u>Trade Channel</u>	<u>Total Sales</u> \$ millions	<u>Individuals</u>	<u>Fleets</u>
Mass Merchandisers	15,100	7,500	-----
Jobbers	15,900	3,400	3,000
Total	31,000	10,900	3,000

Source: Emil J. Bonkoff, Survival in the Automotive Aftermarket, St. Albans Vermont, 1976.

There is of course a limit to the "do-it-yourself" market. Many repair and maintenance jobs cannot be done by the ordinary consumer. But customer response to dis-service has also been shown in another way. This other way has been the development of consumer protective groups such as "Common Cause" led by Ralph Nader. These groups have led to new government legislation based on the idea of consumer rights which was introduced in 1962 by President John F. Kennedy.

These consumerism groups are fighting for the right to safety, the right to choose, the right to be heard, and the right to be informed.

Table VI is an industry consensus on how overall "performance" is being perceived by dissatisfied customers.

TABLE VI

PUBLIC CRITICISM WILL:

	% of Panel
Increase	66
Show no change	14
Decrease	13
Disappear	0

Source: Emil J. Bonkoff, Survival in the Automotive Aftermarket, St. Albans, Vermont, 1976.

These opinions by industry executives confirm that significant changes will need to be made in the ways of doing business in order to minimize adverse customer reactions, which in turn will only lead to additional legislative controls in regard to consumerism.

The near term outlook for demand for automotive replacement parts looks excellent assuming there are no international problems that might result in another oil embargo. The demographic changes are positive. The population movement to the sun belt is a plus because driving distances are greater than in the Northeast part of the country. This population shift should continue in the future and it appears that only severe economic conditions could slow or halt it. Also, the age groups that travel the most by automobile will be the most rapidly growing in the near future. These groups include the heads-of-households in the 25 to 34 and the 34 to 44 year old age groups.

Competition Model

Competition in the automotive aftermarket is first of all between trade channels and then between the individual stores which comprise each trade channel. This distinction is fundamental in order to understand the role that competition plays in this industry. Without competition between the various trade channels, there would be no real, effective, or continuing price competition.

In order to see how the trade channels compete, Table VII compares the six major trade channels in regard to the number of outlets, number of bays, product sales, and service department sales.

The six major trade channels are service stations, general garages, new vehicle dealers, repair specialists, mass merchandisers, and jobbers.

TABLE VII

TRADE CHANNEL COMPETITION-1975

Channel	Outlets	Bays	Total	Product\$ millions.	Service
S.S.	190,000	495,000	10,500	6,300	4,200
G.G.	72,000	200,000	5,800	2,900	2,900
N.V.D.	35,000	700,000	12,600	6,900	5,700
R.S.	82,000	330,000	10,600	5,400	5,200
M.M.	38,000	170,000	5,900	3,000	2,900
Jobbers	27,000	35,000	2,100	1,200	900
Total	444,000	1,930,000	47,500	25,700	21,800

Source: Emil J. Bonkoff, Survival in the Automotive Aftermarket, St. Albans, Vermont, 1976.

The competitive conditions between the trade channels are constantly changing. This is a continuous reshuffling of the relative importance of the six major trade channels. Table VIII shows the competitive market share interrelationships in past years and the expected interrelationship in 1980.

TABLE VIII

MARKET SHARE BETWEEN 1960-1980

Trade Channels	1960	1965	1970	1975	1980
percent.				
Service Stations	24	23	22	20	17
General Garages	16	13	12	11	9
New Vehicle Dealers	32	28	26	24	24
Repair Specialists	12	16	18	20	21
Mass Merchandisers	13	16	17	17	18
Jobbers	3	4	5	8	11
Total	100	100	100	100	100

Source: Emil J. Bonkoff, Survival in the Automotive Aftermarket, St. Albans, Vermont, 1976.

Clearly one can see that market share gains are expected to be made by repair specialists, mass merchandisers, and jobbers. Conversely, market share losses are expected by service stations and general garages, while new vehicle dealers are expected to retain their present market share.

Legal Model

Interventions of government are transforming the automotive after-market from a relatively "free-market" to an "intensive" repair and maintenance market. As previously defined, "intensive" means "a system of vehicle operations in which additional money and work are spent on repair and maintenance to produce safer, quieter, cleaner, and energy conserving vehicles".

Government departments and agencies have proceeded to enforce and administer legislation in regard to the quality of our environment, life, price, and energy resource constraints. Some of these departments and agencies are as follows: Department of Transportation; Environmental Protection Agency; Federal Trade Commission; Department of Justice; Department of Consumer and Corporate Affairs; and Consumer Protection Agency.

Also, there are numerous government committee and subcommittee hearings concerning the problems of motor vehicles. Some of the problems they look at are those of emissions, noise, safety, and mileage. Many of these hearings are "oversight" hearings, to review, up-date, and make legislation more effective.

By performing their responsibilities, government is a primary force at work creating an uncomfortable period of great change. This change will be a source of greater conflict and confusion than that which presently exists. An example of this source of uncertainty was the release of a six volume study, Federal Task Force, by the Department of Transportation in 1976. This study gave directions for future designs, manufacturing, and maintenance for motor vehicles. The implications from this study alone are enormous.

The federal government is insisting that numerous changes be made. Our important ones are: 1) new technology be introduced at an accelerating rate, 2) vehicle inspection become increasingly rigorous, 3) new standards of repair and maintenance be established, and 4) unlawful price discrimination, price maintenance and horizontal collusion be prohibited.

It appears that Federal regulations will have a large impact in years to come. Because of this, the proliferation of automotive parts, and in many cases, increased sophistication of parts design, will continue well into the future.

Some of the new products that have resulted primarily from past regulations are fan clutches, electronic fuel injection, electronic ignitions, diesel engines, turbochargers, and positive crankcase ventilation valves. Products that are just being implemented include oxygen sensors and variable venturi carburetors. In addition, regulations already passed, many require automotive theft resistance systems, passive restraints for passengers, and a tire warning system among others.

Although the government's purpose is not to set aside the industry's existing business arrangements, government decisions and actions in these four areas are in fact changing the industry's arrangements. These changes are a response to the growing concerns in regard to environmental control and decreasing value for increasing costs of products and services. Thus, it can be concluded that regulations, whether in the area of automotive safety, emission controls, or fuel efficiency standards, will create new opportunities for companies in the automotive replacement parts industry.

Economic Model

The dilemma over the outlook for the economy continues. Forecasters are analyzing every variation in the monthly economic statistics in an

fort to support their projections. However, placing too heavy an emphasis upon preliminary monthly numbers can sometimes only add to the confusion as these statistics are just estimates which are generally revised significantly. In addition, historical relationships do not always prove to be accurate indicators.

Because the average duration of economic cycles since 1948 has been 36 months (measured from the trough in real GNP to its next peak), some economists are worried that the current expansion may be approaching its peak since January, 1978, marks the 34th month of this recovery. On the other hand, the economic recovery has been relatively moderate, and the usual excesses have not developed thus far. It should be noted that one economic expansion lasted for 59 months between February, 1961, and November, 1966. Recent statistics have indicated some slowing in business activity, but there are no signs of major deterioration.

The recent improvements in the inflation figures may prove to be temporary. Energy costs are continuing to rise sharply, and a further acceleration is expected next year with the amount dependent upon the final version of the energy bill. Labor costs are also encountering upward pressure. The trend of productivity has slowed significantly in recent years. After climbing 3.5% per year in the 1961-66 period, the rate of increase fell to 1.6% in the 1966-71 period, and then declined to 0.3% in the 1971-76 period. In the year ending June, 1977, output per man-hour rose only 1.6% which was a disappointing performance for this stage of the business cycle. At the same time, employment costs were rising at a 8.8% clip so that unit labor costs increased 7.1%.

Another discouraging development has been the surge in the monetary aggregates over the last year. While this stimulative monetary policy

ly help economic growth, it will eventually generate higher inflation if left unchecked. On the positive side, the slowdown in business activity and the favorable crop reports are helping to slow inflation. While the recent moderation in inflation may continue for a few months, such long-term indicators as productivity gains and money supply growth seem to point toward a higher inflation rate in the future. Thus, it appears that trouble lies ahead unless efforts are made to stimulate capital expansion and control the growth of the monetary aggregates.

In relation to the automotive aftermarket, this somewhat not very optimistic prognostication paradoxically portends growth in this market. Rather than expending large amounts on new vehicles, customers will tend to keep their cars longer. This will require additional repair and maintenance work, which is what the automotive aftermarket caters to. And as already stated, the motor vehicle is a more acceptable mode of transportation than other means. Thus, people will make financial arrangements in order to use one.

Technology Model

The automotive aftermarket has committed itself to technological advances presently and in the future. Technical changes in the automobile have been numerous, and have resulted primarily from Federal regulation, and from changes in regulatory standards, which occur almost yearly. For example, a goal is set for limiting pollution or increasing fuel economy, and rather than manufacturers having to meet that goal after a specified time period, yearly progress is usually required. This means constant changes in the design of automotive parts such as those in ignition and fuel systems, and recently, because of the emphasis on fuel economy, the total redesign of the automobile. Those changes, partially the result of

emissions and pollution control standards, have caused a proliferation of new automotive parts and have created many new opportunities for the replacement parts industry. The introduction of technological products will be at an accelerating rate. Thus, the "intensive" market will consist of new technology products requiring new capital and talent to distribute, requiring new automated diagnostic testing and new technical skills to service.

The new and significant products will be sold at higher prices with greater service, while obsolete products will be sold at significantly lower prices. Parts and equipment manufacturers who have concentrated on development of specific vehicle components and sub-systems are in the forefront of technology development in the industry.

There are service problems developing because of an increasing use of technological advances. At the retail servicing level there is a shortage of skilled mechanics. The Environmental Protection Agency has found that many experienced mechanics do not even fully understand the operation of the ordinary engine. Thus the electronic "black box" which is found in more recent automobiles, as well as fuel injection developments and other advanced systems, are proving to be even more strange to many mechanics.

Associated with new and significant products is the degree of standardization of motor vehicle component, systems, and sub-systems, e.g., modular units. The industry consensus is that parts commonality between vehicles will increase. But, the increasing standardization does not imply stagnation, because such standards will be subject to frequent adjustments. The danger which the industry must be cognizant of is over-standardization. In a dynamic industry, over-standardization would conflict

with genuine and innovative technical and market development.

A dramatic shift to small vehicles is currently underway. In the 1960's, small foreign cars were regarded by the big three vehicle manufacturers as a fringe market. In 1973, the import car market comprised approximately 15% of the total car market. The consensus of industry executives is that by 1980, the import car market may well reach 25-35% of the total market.

By 1980, the largest car sold in America in any substantial volume will probably be the size of the 1975 Chevrolet Nova. By 1980, small cars will easily be 75% of the total population of cars. That is a drastic change.

Also, research studies done in the European Common Market on the dollar value of repairs and maintenance over the life of a vehicle, indicate that consumer expenditures are not materially different between standard and small vehicles. A Department of Transportation study in the United States also validated similar findings.

CHAPTER IV

INDUSTRY SALES MODEL

Customer Group and Total Volume

The market segments of the automotive aftermarket consists of motor vehicles which are fundamentally similar but in which the customers are different. There are three major market segments. They are 1) major-middle, 2) elite, and 3) commercial.

The largest segment in the "major-middle" market which comprises 62% of the total market. This segment consists of passenger cars over three years old and light trucks. The elite segment consists of passenger cars under three years old and comprises 8% of the total market. The commercial segment consists of light, medium, and heavy-duty vehicles used in commerce and comprises 30% of the total market.

Tables IX and X show respectively the dollar values and number of vehicles in each of the major market segments for 1975 and the expected figures for 1980.

TABLE IX
DOLLAR SIZE OF MAJOR RETAIL

MARKET SEGMENTS-1975		
Major Market Segments	Market Size %	Number of Vehicles millions
1. Major-Middle		
-passenger cars over 3 years old	55	96.5
-light trucks	7	12.0
Sub-total	62	108.5
2. Elite		
-passenger cars under 3 years old	8	21.0
3. Commercial		
-light vehicles	9	8.0
-medium vehicles	10	4.5
-heavy-duty vehicles	11	2.0
Sub-total	30	14.5
TOTAL	100	144.0

Source: Emil J. Bonkoff, Survival in the Automotive Aftermarket, St. Albans, Vermont, 1976.

TABLE X
DOLLAR SIZE OF MAJOR RETAIL

MARKET SEGMENTS-1980		
Major Market Segments	Market Size %	Number of Vehicles millions
Major-Middle		
-passenger cars over 3 years old	55	110.0
-light trucks	7	13.0
Sub-total	62	123.0
Elite		
-passenger cars under 3 years old	8	24.5
Commercial		
-light vehicles	9	9.0
-medium vehicles	10	5.0
-heavy-duty vehicles	11	2.5
Sub-total	30	16.5
TOTAL	100	164.0

Source: Emil J. Bonkoff, Survival in the Automotive Aftermarket, St. Albans, Vermont, 1976.

Products (Motor Vehicle Subsystems)

The following table, Table XI, shows where customers in the three major market segments spend their repair and maintenance dollars. The percent and dollars spent per sub-system is shown for 1975 and then for the forecasted 1980 market.

TABLE XI
CUSTOMER EXPENDITURES ON
PRODUCT AND SERVICE

Motor Vehicle Sub-System	%	1975 \$ billions	%	1980 \$ billions
Braking	7	3.7	7	5.9
Cooling	5	2.6	6	5.0
Electric	11	5.8	17	14.2
Engine	10	5.3	13	10.9
Exhaust	5	2.6	8	6.7
Fuel	4	2.1	(included in electric)	
Inspection	1	0.5	5	4.2
Lubrication	9	4.7	5	4.2
Power Train	7	3.7	5	4.2
Steering	4	2.1	3	2.5
Suspension	4	2.1	3	2.5
Tires	20	10.5	18	15.1
Top, Body, Paint	10	5.3	7	5.9
Other	<u>3</u>	<u>1.6</u>	<u>3</u>	<u>2.5</u>
TOTAL	100	52.6	100	83.8

Source: Emil J. Bonkoff, Survival in the Automotive Aftermarket, St. Albans, Vermont, 1976.

Table XII shows the percentage of customer expenditures by channel (service stations, general garages, new vehicle dealers, repair specialists, mass merchandisers, and jobbers) on repair and maintenance in the three major market segments.

TABLE XII
 CUSTOMER EXPENDITURES ON PRODUCT AND
 SERVICE BY CHANNEL

Sub-System	1975						
	<u>Total</u>	<u>S.S.</u>	<u>G.G.</u>	<u>N.V.D.</u>	<u>R.S.</u>	<u>M.M.</u>	<u>Jobbers</u>
 percent.						
Braking	7.0	2.1	1.0	1.4	0.8	1.0	0.7
Coiling	5.0	1.0	0.9	1.0	1.1	1.0	-
Electric	11.0	3.0	1.3	1.5	1.0	2.4	1.8
Engine	10.0	0.9	1.9	2.6	1.1	0.5	3.0
Exhaust	5.0	0.5	0.4	0.9	2.0	1.2	-
Fuel	4.0	1.2	0.6	1.3	0.3	0.6	-
Inspection	1.0	0.1	0.1	0.5	0.2	0.1	-
Lubrication	9.0	4.3	2.0	1.6	-	0.9	0.2
Power Train	7.0	0.3	0.7	3.2	2.2	0.1	0.5
Steering	4.0	0.5	0.6	1.3	1.0	0.6	-
Suspension	4.0	0.7	0.1	0.9	1.0	1.1	0.2
Tires	20.0	4.8	1.3	1.7	5.2	5.7	1.3
Paint, Body	10.0	-	-	6.0	4.0	-	-
Washer	<u>3.0</u>	<u>0.6</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>1.8</u>	<u>0.3</u>
TOTAL	100.0	20.0	11.0	24.0	20.0	17.0	8.0

Source: Emil J. Bonkoff, Survival in the Automotive Aftermarket, St. Albans, Vermont, 1976.

CHAPTER V

COMPANY "FIRM" MODEL

Company Goals

The TBA (tires, batteries, and accessories) department of the Oil Company has multiple goals. The more important of these goals are (1) higher profits, (2) gross profit margins, (3) sales objectives, (4) expanding to new lines, and (5) simplification of operations. A brief look will be taken at each of these listed goals.

Firstly and most importantly is the goal of increasing profits. The TBA department's viability is based upon this basic criterion. Though this department is an ancillary segment of the total corporate picture, it is expected to contribute a certain amount of profit to the Oil Company. A "profit goal" is set for the TBA department by the Oil Company. It is then up to the TBA department to achieve this targeted profit.

Secondly, the TBA department in striving to accomplish the targeted profits, has established a desired gross profitability margin. Though this margin must not be adhered to strictly, it is a general guideline in accepting or rejecting various alternatives. Presently, this margin is in the neighborhood of 10-12%.

Another of the TBA department's goals is that of meeting and hopefully exceeding their planned sales quotas. Though profitability is the most important goal, generally an increase in sales will help accomplish

(though there is the law of diminishing returns that one must be aware of). In this case, the sales objective is a means to an end, to wit, higher profits.

The Oil Company's TBA department is continuously seeking new product lines. With the addition of new product lines, the chances of increasing sales volume are greatly enhanced. As long as the 10-12% gross profit margin is adhered to, this would result in increased profits. In the past, the primary product lines carried by the TBA department were supplied by the two major rubber companies, Goodyear and Firestone. Recently an additional product line supplied by Delco has been introduced. Presently, this increases the likelihood of increased sales.

Lastly of the previously mentioned TBA department's goals is the desire to keep operations as simplistic as possible. This includes the simplification of sales programs, procedures used such as purchase orders, accounting procedures, and general communications and documentation between the TBA department and the Suppliers. The more simplified the procedure is, the less chance there is for miscommunications between the TBA department and its accounts as well as its own company.

distribution

The distribution aspect of the TBA department is the essence of this department's operation. This is where the profit is to be made. By acquiring more accounts (i.e., distributors), the department is in a position to increase its sales. After all, sales are a means to an end (profits), and the distribution process is the vehicle for sales.

Primarily, there are seven outlets of distribution for the TBA department. They are as follows: (1) tire stores, (2) service stations,

(3) automotive stores, (4) discount stores, (5) car dealers, (6) implement dealers, and (7) export markets. The export market is a relatively new endeavor and hopes are that it will prove to be a lucrative one.

Predominantly, these distributors are located in Oklahoma. But there are also distributors located throughout the United States (and the export market) except for the West Coast.

Basically, the TBA department of this Oil Company as well as TBA departments of other oil companies, serves to facilitate the exchange of products from the rubber companies and other suppliers to the above mentioned distributors. It does not do any warehousing to speak of except for two warehouses. These two warehouses are used in the distribution of their own private brands.

To set up these distributor accounts, seven fundamental things must be done. These are as follows: (1) a TBA notification form must be completed, (2) a TBA agreement is entered into, (3) a financial statement is required of the distributor, (4) a sales tax permit number is needed, (5) name of customer's (company) name and address must be supplied, and (7) the name of the buyer is required. If these seven requirements are met and the TBA and credit department is satisfied with the provided information, then these accounts become potential buyers and distributors through the TBA department.

The above seven requirements are fairly self-explanatory except for perhaps the first two. A brief explanation will be given of each. The TBA notification form tells who the supplier will be (e.g., Firestone) and the location of this supplier. Then the following customer information is shown: the customer's name, e.g., Joe's Tire Center, its location, and the amount of credit recommended by the TBA department. The amount

of credit extended must be authorized by the credit department of the Oil Company, Also, the sources of supply for items (tires, batteries, accessories, etc.) will be shown for regular shipments and for emergency shipments. For example, regular delivery for an Oklahoma City account might come from a Firestone warehouse in Dallas whereas an emergency delivery could come from a Firestone store in Oklahoma City.

The TBA agreement is a contract between the TBA department and its distributor (e.g., Joe's Tire Center). A few of the several stipulations are as follows:

- (1) Purchaser (distributor) will purchase merchandise for resale in connection with purchaser's business.
- (2) Prices shall be prices specified by the TBA department less any allowances or discounts.
- (3) TBA department reserves the right to revise, suspend, or withdraw any credit terms.
- (4) Coverage of warranties.

Service-Price Strategy and Site Location

The two components (service-price strategy and site location) of the above heading have little relevance to the TBA department's operations. That is not to say that they are unimportant, but the TBA department has no say-so as to how one of its distributors may wish to strategically arrange or alter its servicing and pricing tactics, as well as little discretion in choosing site locations, because these locations are already established.

The concept of "service-price strategy" is of course extremely important to the TBA department in an indirect manner. If the department's distributors employ an optimal service-price strategy, their chances for success and increased profitability are greatly enhanced. If this is

he case, the chances of growth for them are improved. To support this additional growth, they will need additional supplies. Thus, the opportunity for the TBA department to increase its sales.

The TBA department has little discretion in selecting "site locations" as used in the normative sense. These locations are the locations of the distributors, and are generally already established. If they are not already established, then it is the distributor's decision where to establish, not the TBA department's. The TBA department's discretion is only in to whom they wish to have as an account, and there is no reason to discriminate because of location.

Physical Distribution

The TBA department plays no role in the actual physical distribution of the tires, batteries, accessories, and other related products that its distributors purchase.

The distribution is primarily facilitated via the supplier (i.e., rubber companies), by the ordinary means of transportation from its factories or owned stores. The physical distribution policy is stipulated in the TBA agreement. The part pertaining to physical distribution reads as follows: "All prices shall be f.o.b. point of shipment subject to TBA department's then current policy pertaining to transportation charges. Title to merchandise ordered by purchaser shall vest in purchaser upon delivery to the carrier for shipment".

An example of how this physical distribution actually takes place is as follows. Joe's tire center needs tires and related products from Firestone Rubber Company. The shipment will probably be made directly by Firestone from one of its regional warehouses. If the shipment needs to be expedited for some reason, and the volume is not too large, then

more than likely, it can be made from one of Firestone's local tire stores, acting in the capacity of a wholesaler. If the shipment is quite large, then it would probably be shipped straight from the factory.

To facilitate this physical distribution, each of the TBA department's distributors has in its possession, TBA sales order forms from the TBA department. This sales order provides for the listing of the quantity, stock numbers, prices, and description of each product desired. When this is completed, it is sent to the rubber company's supply point. Subsequently, the rubber company delivers the products ordered. The rubber company then attaches the purchase order to its internal documents and sends it to its own accounting office. The accounting office then invoices the TBA department at the TBA department's cost less promotional discounts. This invoice will reflect the purchase order number and the rubber company's document number. Lastly, the TBA department will invoice Joe's Tire Center at Joe's buying price, with Joe obligated to meet the payment due date.

Sales Considerations

The sales considerations of the TBA department are basically comprised of (1) promotional discounts, (2) incentive contests, and (3) giveaways. Of these three promotional discounting is the consideration that enhances sales the most. Each will be briefly discussed.

The promotional discounts offered to the TBA department's distributors are usually those that have been passed down from the rubber company to the TBA department. Due to the intense competition in the automotive aftermarket, prices and discounts are the distributor's primary consideration in whom he buys from. Thus, the reason why promotional discounting

enhances sales the most. An example of how this discount is offered is provided by an excerpt from a Firestone distributor program.

DISTRIBUTOR DISCOUNT

All distributors will be invoiced at Firestone's current published Dealer Billing Prices (adjusted for all pass-through discounts) less the following schedule of discounts and less 2% cash discount as earned.

Passenger Tires	19%
Tractor and Implement Tires	17-1/2%
Industrial Tires	16%

The incentive contests are used as an internal sales consideration device. The incentive contest provide incentives for the salespeople to achieve and exceed their sales quotas. If they do, then they are eligible to receive prizes, trips, prize points, etc. Though these incentive contests are used, they are not used extensively.

The third sales consideration is that of "giveaways". This program encourages distributors to purchase more. For example, if a distributor buys "\$X" amount of products, he is entitled to a set of luggage. If he buys a certain amount more than this, he would be entitled to a color television set or perhaps some other nice appliance. And so forth.

Pricing

The basis for the pricing of the TBA department's products are primarily set by using the price lists of the tubber companies as guidelines. The chief suppliers are presently Goodyear and Firestone. It should be noted once again, that the TBA department is expanding into new lines (e.g., Delco) and thus, the basic prices of these products are largely determined by these new suppliers.

The supply companies are constantly offering discounts on their

ducts. Because of the intense competition, this is necessary in order to keep their current customers and hopefully to attract new customers. Also, discounts are offered to large volume purchases. These volume discounts are offered not only on a one-time order basis, but also are the basis for a customer's annual purchase discounts. Thus, a customer who consistently buys large amounts over the years will be entitled to reduced purchasing prices of the TBA products.

The TBA department assists its distributors in realizing these "pass-thru" discounts. As indicated, they use the basic prices of the member companies.

For the distributor to know the prices of the various products and which discounts are in effect, a distributor program is sent to each distributor of the TBA department. The following two listings respectively show (1) prices and discounts for routine businesses and, (2) discounts given on volume purchases.

0 SUPPLY ITEMS THROUGH FIRESTONE

The following accessories are available from your Firestone Supply Point at the indicated price.

All earned "V.I.P." discounts will be passed through to the Distributor.

Jobber price available on deliveries from all Firestone Stores and Warehouses. Jobber price less 5% (Dept. 203 & 252 only) available only on shipments from Firestone Home & Auto Warehouses and "non-penalty" Firestone Stores.

1. Auto Supplies - Department 3

Examples:

- Bussman Fuses
- Fan Belts and Radiator Hoses
- G.E. Seal Beams and Miniature Lamps
- Trico Wiper Blades
- Waxes and Polishes
- Floor Mats and Seat Covers

Pricing to be jobber price less 5%.

2. Custom Wheels - Department 12

Keystone Customer Wheels and Covers

Pricing to be at jobber.

3. Anti-Freeze - Department 17

Pricing to be at jobber.

4. Equipment and Supplies - Department 48

Jacks
Tire Changers and Tools

Pricing to be at jobber net.

5. Batteries and Ignition Parts - Department 50 & 51

Examples:

Batteries
Battery Cables
Condensers and Ignition Coils
AC Spark Plugs
Champion Spark Plugs

Pricing to be jobber.

6. Brakes and Front End - Department 52

Examples:

Brake Drums
Wheel Cylinders
Monroe Shock Absorbers
Delco Pleasurizers

Pricing to be at jobber less 5%.

Passenger Tire Quantity Discount

On each individual order of new first-class passenger tires, both current and discontinued, placed under this policy, distributors will be allowed the following discounts based on units ordered.

QUANTITY ORDERED	DISTRICT WAREHOUSE, GATE WAREHOUSE, OR FACTORY SHIPMENT	STORE PICKUPS OR DELIVERIES
1 to 14 Units	0	0
15 to 24 Units	2%	2%
25 to 99 Units	3%	3%
100 to 249 Units	4%	No discount of more than 3% is applicable on pickups from stores, deliveries by stores, or transactions handled through stores.
250 to 499 Units	5%	
F500 to 749 Units	6%	
F750 to 999 Units	7½%	
1000 and over Units	10%	

Sales Force

The sales force of the TBA department is comprised of approximately 5 persons. These TBA personnel are dispersed throughout the United States in the various regions and districts. Headquarters for the Oil Company is located in Oklahoma City. There is a general sales manager who is in charge of all sales whether they are TBA, petroleum, etc. The TBA manager is also located in Oklahoma City. He is responsible for the coordination of TBA sales in the various districts as well as the distribution of relevant TBA information.

The TBA aspect of each district is relatively speaking, an ancillary function. Nonetheless, each district has quotas assigned to it and it is expected that they be met. The TBA business is not the primary business of the Oil Company, but is of a related nature. Because of this related nature and also its profitability, the Oil Company has incorporated it into a viable function of the company.

Also, assistance is provided to the TBA sales force as well as the TBA department itself by various other departments of the company. Some of the more important assisting departments are the purchasing, credit, advertising, and accounting departments.

Advertising and Media Decisions

The advertising of the various distributors is done in a "cooperative" manner. "Cooperative" in this sense means that the advertising cost is shared by the distributor (Joe's Tire Center) and the supplier.

This method of advertising works as follows. If Joe's Tire Center wants to run an advertisement displaying products manufactured by Goodyear, then it must first get Goodyear's approval. After approval, the advertisement is placed and Joe is billed. Upon payment, Joe receives a "paid receipt" and then forwards it to Goodyear. Most "cooperative" advertisements are done on a 50-50 basis. Thus Goodyear would pay its 50% share of the authorized advertising bill by reimbursing Joe.

Also, there is a limit on this "cooperative" advertising. A distributor can advertise only 1½% of its total annual purchases from the supplier. For example, if Joe purchased \$100,000 worth of products from Goodyear, then Joe can spend up to \$1,500 in advertising and Goodyear will match this amount. Thus, Joe is actually getting \$3,000 worth of advertising. Anything above this \$1,500 paid by Joe, would not be matched by Goodyear.

The media used for advertising purposes are primarily newspaper, radio, handbills, and mailers. By far the most extensively used medium is newspapers. As mentioned above, the advertisement must be approved by the supply company when done in a cooperative manner.

CHAPTER VI

FIRM OBJECTIVES AND STRATEGIES

The desired objective for the TBA Department has been set within the framework of the situational analysis previously discussed. The objective provides direction as well as guidelines for the marketing strategies to follow. It is time-phased (18 months in duration) and in essence, is a sub-goal for achieving the overall company goals. Special emphasis has been given to the market environment, company capabilities, and market opportunities.

The TBA Department is primarily concerned with its total volume of sales. Provided the desired profit margin is maintained, an increase in sales will increase the profitability of the TBA Department. With this in mind, the objective has been set and is as follows:

Increase TBA sales to Oil Company branded service stations by 30% within the next 18 months. (This will be accomplished by getting the service stations to increase their retail sales of TBA by 30%).

This objective was chosen because of the tremendous influence the Oil Company has over these company branded stations. This objective falls within the TBA Department's purview and with cooperation from those instrumental in the implementation of it, should prove to be quite attainable.

The service stations included in this objective are those that are identified by the Oil Company's brand name, whether they be company owned

dealer owned. While there is a definite difference in the two types of service stations, for the purpose of this paper, they will be considered as a homogeneous group. The major difference is the fact that dealer operated stations are allowed to purchase their TBA supplies from whomever they please while the Oil Company owned stations must purchase their supplies through the Oil Company's TBA Department. But because of the dealer operated stations' close relationship with the Oil Company, and the influence the Oil Company exerts, this difference can be minimized to a great extent. Thus, these two types of stations will be considered as one group in regard to the apropos marketing strategies.

These service stations comprise about 20-25% of the TBA Department's total volume of sales. Patently this is a sizeable and important market segment. In the Competition Model Chapter, Table XIII shows that service stations as a whole will have a change in their market share from 20% in 1975 to 17% in 1980. Offhand, one may think that it would be unwise to focus on this trade channel, but with a more in-depth look, the author has drawn the opposite conclusion based upon the particular circumstances surrounding the Oil Company's TBA Department.

The primary reason for this 3% decline is because there is currently a change in automotive marketing to self-service stations, car washes, and a decreased number of outlets. Obviously this is a trend away from full service and the sale of tires, batteries, and accessories at the traditional service stations. But nonetheless, the demand for these services and products will remain to a great extent for service stations as evidenced by the following facts and estimations. In 1975 there were 190,000 service station outlets with total product and service sales of \$10,500,000. In 1980, it is estimated that there will be 140,000 service stations outlets

(50,000 fewer than in 1975) with total product and service sales of \$14,300,000 (\$3,800,000 more than in 1975). One can clearly see that even though there will be a reduction in total number of outlets, total sales will be on the increase. But even more important, and the reason for service stations being an objective focal point, is the dramatic increase in average sales per service stations outlet. In 1975, average sales per outlet were \$55,000. The 1980 forecast of sales per outlet is \$102,000. This is an increase of 86%! The annual average increase of this five-year 86% increase is 17.2%. Over an 18 month period, which is the duration of this marketing plan, the increase is 25.8%. This 25.8% increase is expected in light of the changing market, but with an aggressive marketing plan, there should be an excellent opportunity of reaching the 18 month targeted increase of 30% (that is if the forecasted sales per outlet are in fact accurate). Due to any unforeseen changes in related circumstances, the 30% target may be revised upward or downward.

To insure an organized and effective campaign in realizing the targeted 30% sales increase, certain formalities as described in Figures 1, 2, and 3 (at the end of this chapter) were undertaken. Figure 1 states the objective as well as the strategies and programs to be implemented. This is a necessary function in order to allow clear direction and the substance of that direction. Figure 2 is the marketing record sheet for the TBA manager. This is a step by step account of the implementation of the program in achieving the objective. Likewise, Figure 3 is the marketing record sheet for the service station managers. It is also a step by step procedure that will assist them in achieving the objective of a 30% increase in sales.

The most important components of the marketing plan are the efficacy

f the proposed programs for each station manager in increasing their BA sales and the cooperation given by the station managers. If either of these is lacking, then the success of the marketing plan will be greatly diminished. With this in mind, a detailed look will be taken at figure 1 with regard to the targeted 30% increase in TBA sales over the next 18 months.

First, the objective must be stated in a clear, concise, and effective manner. This is necessary so there will be no misunderstandings as to the nature of the objective. For example, though the objective is for a 30% increase in sales for the TBA Department as a whole, it must be made clear to each station manager that he must strive to meet this 30% goal for his own station in order that the TBA Department's goal may be realized. The method of communicating the objective will initially be by sending a memorandum to each station manager and then by following up with a personal telephone call. The phone call will insure that the station manager clearly understands the objective and how it applies to him. In addition, the personal call will convey to him the important role he plays and that his cooperation is needed.

Secondly, in order to receive the station managers' cooperation, an effort will be made to convince them of the profitability of this 18 month project to them. Very few people are willing to put forth extra effort unless it will prove to be financially rewarding. Thus, the importance of this point (profitability) cannot be overemphasized. For many station managers, the TBA sales of products and services are the sales that actually provide them with a profit, while the gasoline sales are usually only enough to cover the overhead of the station. Of course there are exceptions, but this does seem to be the rule. Therefore, this

project of increased TBA sales should prove to be quite palatable to the station managers.

To enable the station managers to see the potential for increased sales and thus increased profits, two approaches are recommended. First, present the facts previously discussed that predict a dramatic increase in the sales of services and products (TBA related) per service station outlet. This will show the station managers that the demand is out there and that by implementing a good marketing plan they can supply a good deal of it. The figures for expected growth are quite impressive and likewise should be quite impressive to the station managers. Secondly, make the station managers realize the enviable position they are in and that with good effort on their part, TBA sales can be greatly increased. Unlike an automotive repair shop, a service station has a relatively prodigious amount of automotive traffic. Thus the opportunity is there to notice automotive work that needs to be done. Hopefully with these two recommended approaches, cooperation will be obtained. After all, this cooperation will not only help achieve the TBA Department's objective but will also increase profits for each station manager.

Thirdly, and as important as the cooperation on the part of each station manager, is the implementation of a sound, reliable, and efficacious program designed to increase TBA sales. There are numerous ways to accomplish this task. Several ways will be discussed, but by no means are they inclusive. Of course, when the TBA manager implements the program, his list will include a more comprehensive listing of methods that will enhance sales. The following three potential promotional techniques will be looked at briefly: (1) advertising techniques, (2) courtesy car service, and (3) needed car repairs brought to the customer's attention.

(1) Advertising techniques.

- A. Run small, low cost tire ads. These consistently attract tire buyers' attention and brings them to station. Always merchandise advertised bargains. Set up attractive displays of advertised items with discount prices in clear sight. Employees must be advised how to handle prospects that respond by phone or drive in.
- B. Distribute "flyers" in each station's neighborhood that promote: advertised items, the expertise of mechanics, the station's goodwill, etc. Flyers are relatively inexpensive and young people can be hired to distribute them at a very reasonable cost.

(2) Courtesy car service.

A customer car service program is a great way to thank customers for their business and keep them coming back. It also results in customer confidence, free word-of-mouth advertising, and customer referrals. For example, the station employees can wash car windows, clean the headlights, dash, white sidewalls, and empty ashtrays. This type of action today will reap benefits tomorrow.

(3) Bring attention to needed car repairs.

This is perhaps the most distinct advantage a service station has over other automotive outlets. Because of the gasoline service, a service station has a great deal of automotive traffic. This traffic provides enormous opportunities to notice needed car repairs or part replacements. It is quite easy to take a quick look at all four tires to see what shape they are in. Likewise, when checking under the hood, it is a convenient time to be on the alert for any needed repairs. Most times the customer does not even know that something is faulty and will appreciate the advice. Often times they will want the problem taken care of right then. This one technique could tremendously increase TBA sales.

It is the TBA manager's responsibility to see that good promotions are used and that the station managers understand them. Some of these promotions will already be in use on a sporadic basis, but the intent of the marketing plan is to see that there is an organized and aggressive effort on the part of all concerned stations. If this is accomplished, increased sales and thus profits will accrue to the service stations and likewise, their supplier of TBA goods -- the Oil Company.

Marketing Objective	Marketing Strategies	Marketing Programs
<p>increase TBA sales Oil Company brand- service stations 30% in the next months</p>	<ol style="list-style-type: none"> 1. Inform service station managers of increased TBA sales objective. 2. Make service station managers aware of profit opportunity for them. 3. Assist the service station managers in programs designed to increase TBA sales. 	<ol style="list-style-type: none"> A. Send each manager a written memorandum of objective and follow up with a personal telephone call. A. Present facts about increase expected in sales per outlet and build awareness of profit potential. B. Build awareness of enviable position stations are in to provide needed car repairs. A. Advertising techniques. B. Courtesy Car Services. C. Bring attention to needed car repairs. D. Implement a file system. E. Etc.

Figure 1. Objectives, Strategies,
and Programs

Effectiveness Area: TBA sales

Objective: Increase TBA sales by 30% in next 18 months.

Priority: High

Measurement Method: Total volume of TBA sales now versus total in 18 months.

Program of Activities:

Notify all managers of objective (via mail and personal call).

Convince station managers of the program's profitability to them.

Provide information (programs) designed to increase TBA sales.

Call managers periodically (each month) to encourage and assist them in any difficulties or questions they may have.

Require bi-monthly progress reports from each manager.

Using "management by exception", take remedial action for those not on path for achieving target.

At termination of program, send to each manager a final report showing performance and success of each service station operator.

Figure 2. Marketing Record Sheet:
TBA Manager

Effectiveness Area: TBA sales.

Objective: Increase TBA sales by 30% in the next 18 months.

Priority: High

Measurement Method: Total volume of TBA sales now versus total in
18 months.

Program of Activities:

1. Understand the objective and your role in achieving it. If any questions, then discuss with TBA manager.
2. Peruse information (programs) received from TBA manager and with your discretion, implement those which you believe will help you achieve the objective.
3. Meet with station employees and explain in detail the sales objective, the new programs to be implemented, and the role they will play in achieving the objective.
4. Closely monitor the results as program is going on and make any necessary changes or adaptations.
5. Submit progress reports bi-monthly for the duration of the program.

Figure 3. Marketing Record Sheet:
Service Station Managers

CHAPTER VII

SUMMARY

The objective of this paper was to present a pragmatic marketing plan for a particular company in order to achieve a certain objective. In this case, the objective was for the TBA Department to increase its TBA sales by 30% in the next 18 months. This increase in sales, with the desired profit margin maintained, will result in increased profits, which of course is what the TBA Department is primarily concerned with.

To design this marketing plan, a systematic approach was taken to build a foundation on which to base the plan. This was done by analyzing the industry trends, its changing environment, and a look at industry sales. Then by closely looking at the specific firm's (the Oil Company) TBA Department, an understanding was gained in relation to its operations. With an elementary understanding of the industry as a whole and the TBA Department, a marketing plan was then devised to capitalize on market opportunities. All efforts were made to make the marketing plan as realistic and viable as possible.

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Date of Degree: May, 1981

Institution: Oklahoma State Univeristy Location: Stillwater, Oklahoma

Title of Study: A MARKETING PLAN FOR AN OIL COMPANY'S "TIRES, BATTERIES,
AND ACCESSORIES" DEPARTMENT

Pages in Study: 51

Candidate for Degree of
Master of Business Administration

Major Field: Business Administration

Scope and Method of Study: The purpose of this report was to develop and implement a marketing plan for the "Tires, batteries, and accessories" department of a large oil company. The basis of the marketing plan resulted from an analysis of the various factors which have an impact on the automotive aftermarket industry, those factors being trends, environment, and sales. The oil company's "Tires, batteries, and accessories" department was then examined to understand how it operated within the industry. This examination was accomplished through several meetings with the manager of this department. The various influencing factors were considered in light of the company's position in the industry, and a marketing plan was then developed.

Findings and Conclusions: After an analysis of the automotive aftermarket industry and the oil company's position in it, the information indicates that the market will be strong for the near-term future. The marketing plan was developed in order to allow the oil company to take advantage of the changing market and to do so in a manner consistent with its present operations.

ADVISER'S APPROVAL _____

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