

Buyer Interview with Al Deane, Midas Muffler Franchisee, Maine

Al spent 21 years working for Volkswagen of America and 10 years as a parts buyer for Subaru. He volunteered information for the Midas Franchise as well as dealer service centers.

In general the current economic downturn in the last 2-3 years has affected the muffler business negatively since it is a project that can be done by consumers to save money. Their other businesses, primarily brakes, are unaffected because of safety, complexity and disposal concerns. ABS brakes systems are hard to work with and require the use of a torch, and in many cases drums and rotors need machining.

Midas franchisees are experiencing increasing competition from smaller specialty shops, and have begun a refocus to complete under car care including: axles, joints, shocks, oil change, lube, brakes, alignment, etc. Midas franchises are in serious competition with nearby specialty shops, and are only interested in suppliers that provide top quality products, deliver in 2 weeks or less, and that don't sell the same products to their direct competitors. One promotion the "Oil Change Club" encourages customers to join an oil change club and put a Midas Oil Change sticker on their rear bumper for a \$4.00 discount on every oil change.

Replacement parts are purchased primarily and exclusively from the Midas franchise. The brake shoes and mufflers (lifetime guaranteed) must be purchased from Midas. All other parts and liquids, including pipes, fluids, master cylinders, etc., can be purchased from other sources. In general, Midas products are of high quality and any products that are sourced elsewhere need to be of equal or better quality with a price advantage. An example that was given was exhaust pipes: poorer quality exhaust pipes rust out faster and leave a poor impression with the customer, and Midas exhaust pipes now come with an aluminum coating that greatly increases operating life.

Other reasons for purchasing parts outside of the Midas franchise is part availability. If the job needs to be done and none of the networked franchisees has it in stock, the store will source it from a Jobber such as NAPA.

While working for Subaru, "Y" exhaust pipes were sourced from a Canadian company. Only problem with relationship was the delivery time, 3 weeks. With a 3 week delivery lead time, they had to stock 3 weeks worth of inventory and tie up valuable storage space and capital. Franchisees presently order weekly by Modem to the warehouse. Orders need to be delivered within 2 weeks. In addition, Midas offers 1.5% of total purchases toward obsolescence which helps offset losses.

Waste Removal

Old oils of all kinds are presently pumped out for free by reseller who sells for profit to oil burning heaters with stage III furnaces (clean burning). Value for everyone. Mufflers and brakes are taken away by recycler who saves metal from rotors and drums and grinds up all mufflers and other components for recycling.

Changes in Product Configurations

In 1953 a Midas franchisee discovered pipe bending, and greatly reduced the need to stock pre-bent pipe. Now since unitized construction, the tolerances are too tight to prebend straight pipe to fit. The result is a large amount of inventory per store. Try to spread inventory around all networked stores and balance and share inventories. Inventory levels of pre-bent pipe is approximately \$40,000 per shop location.