

Franchise vs. Indie

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Both models have their advantages and disadvantages — you be the judge

Technician and entrepreneur Rick Vandenberg's current garage on Ingersoll Road in Woodstock, Ont., is roughly twice the size at four bays of his first shop.

It's also an independent automotive repair shop.

That puts Rick's Automotive in the biggest category of an industry that includes 16,683 general automotive maintenance locations with an estimated 107,032 service bays in Canada, according to a survey conducted in 2015 by DesRosiers Automotive Consultants.

Vandenberg, who prides himself on being straight with customers and offering them quality service at a good price, won't touch automotive repair shop franchises.

He says he can't afford them.

FRANCHISE COSTS

The up-front costs of franchises — including franchise and royalty fees and spending on advertising — can be enough to make an entrepreneur think twice.

On its www.lookforafranchise.ca website, the Canadian Franchise Association's directory shows each Budget Brake & Muffler location needs to cough up a franchise fee of \$25,000. That's half the \$50,000 Mr. Lube charges its franchisees. Several automotive repair chains charge franchise fees in the \$30,000 to \$35,000 range, including Speedy Auto Service, The Master Mechanic, Midas, Meineke, and Maaco.

Royalty fees for a Midas franchise can range up to 10%. The start-up capital is in the \$75,000 to \$100,000 range with total investment between \$340,000 to \$420,000, according to www.FranchiseCanada.org. A Meineke franchise requires \$75,000 in startup capital and a total investment of about \$200,000. The royalty is only 5% for that franchise but there's an 8% advertising fee as well.

Ross Coates, Meineke's master franchisor and the owner of four of these auto repair shops in Newfoundland, says it's well worth it. "There's a lot of value in a brand name,"

Coates said in an interview. "You get a lot more support and training. We have our dealer meetings and you can pick each other's brains. It's a friendly rivalry."

The owner of what used to be the Ross's Irving in Cornerbrook, Newfoundland, Coates went ahead and converted that two-bay gas station and repair shop into a Meineke in 2000. Since then, he has expanded with Meinekes in Mount Pearl, St. John's and Gander.

INDEPENDENTS WEAK ON BUSINESS MANAGEMENT

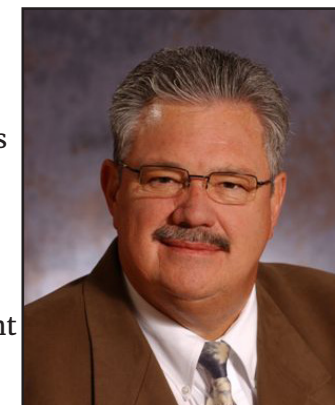
Certainly, at least some independent auto shops are struggling.

"A lot of these guys are just on the cusp of existence," says automotive industry consultant John

While many independent auto repair shop owners think the key to success is getting more customers, that's not necessarily the case, Watt says.

It's more important in the long run for an auto shop to do a thorough job of inspecting each vehicle for other repairs it might need and to then communicate that to the customer and increase the billable hours per work order.

"If (an auto repair shop owner) sells only one hour per work order ... he is in trouble because what the vehicles need is 2.5 hours per work order and so he's left a lot of work on the table," says Watt.



Automotive consultant John Watt: Many independent shop owners lack business management skills and support that franchises can provide.



Daily shop management is the big difference between indie and franchise shops.

FRANCHISE BUSINESS SUPPORT

A good franchise model can help an entrepreneur with the training to ensure vehicle inspections are done properly

and the additional repair work is communicated well to the customer. Watt says doing this boosts customer loyalty.

"When you validly find work that a vehicle needs to have done and point that out, those people like you more," he says.

Watt. "Their pockets aren't empty. But they could be doing so much better."

Many independent garage owners also put in time as technicians and are so tied up with day-to-day operations that business management considerations take a back seat, says Watt.

"The big difference between (franchised and independent automotive shops) has to do with the day-to-day management of the garage," he says. "The franchise brings a structure and a process ... That's what brings success to the franchise shops."

The business-management support provided by franchisors also helps entrepreneurs with their customer service at the counter and increases the likelihood that they'll make the best use of their human resources. Many