

INSIDE BUSINESS

Issue Date: Week of February 9 2009, Posted On: 2/6/2009

Newport News auto repair shop aims to franchise, slowly

ERICK SORICELLI - Interactive Editor

Drive too fast on Jefferson Avenue and you may miss it.

Brake King is an L-shaped white building tucked away at the corner of 74th Street and Jefferson, guarded by a small owl statue on its awning.

Yet longtime customers know where to find the Newport News auto repair shop. Letters are on framed display on the shop's wall from places like Gloucester, Poquoson and as far north as Woodbridge.

Now Bubba Hutchison and his father, Randy, hope to bring Brake King closer to some of their long-distance drivers by franchising their business.

"We were looking to grow," said Bubba, the shop's vice president who is overseeing franchising efforts. The 20-bay shop sees an average of 60 customers a day. "About two years ago, we were looking to buy an existing location and start a second store."

But that didn't pan out, so last year, the Hutchisons began exploring franchising. They attended a seminar sponsored by FranCorp. of Olympia Fields, Ill. When they left the seminar, they felt it was better to have franchisees run their own shops than hire a manager to oversee another store.

It took them eight months to establish themselves as franchiser entities.

"We started out in Virginia and North Carolina," Randy said. "We want to start slowly, right around here, in concentric circles."

Still in the planning stages, Brake King has not yet forecast when its first franchise will be open for business.

Along with legal affairs, the Hutchisons also compiled a 500-page operations manual for potential franchisees. They also will conduct a month's worth of on-the-job training for incoming shop operators.

"The big thing is finding these people credit," Bubba said. "That's our biggest hurdle now. Right now, loans are hard to come by. If we bring on a franchise, you don't have to go to your own bank to get funding. We find the funding for them."

At minimum, potential franchisees need \$75,000 in liquid cash. Access to an existing facility helps, as Brake King stores are between 4,000 to 10,000 square feet. Building a

new facility from scratch could change the capital requirements.

The Hutchisons know they are driving into a field full of established competition. In Newport News alone, there are Firestone, Meineke, Midas and Pep Boys franchises.

About his competition, Bubba said, "Some of our appeal is our size. We're a family business, so you're going to come into our family."

Not everyone, even those already working in the industry, is cut out to run their own shop, the Hutchisons said.

Randy Hutchison recalled a husband-and-wife team who tried to do just that. The husband was an auto technician and the wife was handling the accounting. Yet neither had a business background.

"It failed within five months," he said.

Estimates of the U.S. auto repair industry vary by source. In 2005, auto repair and maintenance shops reported \$94 billion in receipts to the Internal Revenue Service. In the same year, the U.S. Census Bureau reported the industry's value at \$80 billion.

With an auto industry in flux, and major American automakers looking for bailouts, there's bound to be reluctance to invest in an auto repair franchise.

Yet new-vehicle sales across the U.S. slowly declined between 2005 and 2007, from 16.9 million to 16.1 million, according to a 2008 report from the National Automobile Dealers Association.

So, with more people holding onto their cars comes a growing need for maintenance.

Steven Michael, a business administration professor at the University of Illinois, co-authored a 2008 study that reviewed the franchiser-franchisee relationship in 90 national restaurant chains.

"Reinvestment in what you already have is better than buying something new," he said. "The notion of franchising auto repair has worked for a long time."

Franchisers and franchisees need to be comfortable with one another.

The study maintains that if franchisers provide longer and more in-depth training, the franchisees stay in business longer.

The failure rate found among the franchisees in the study was 13 percent. The study's other author was James Combs, a business professor at Florida State University.

The Hutchisons declined to release the shop's annual sales, saying that they did not want to give franchisees expectations of potential earnings.