



UP front

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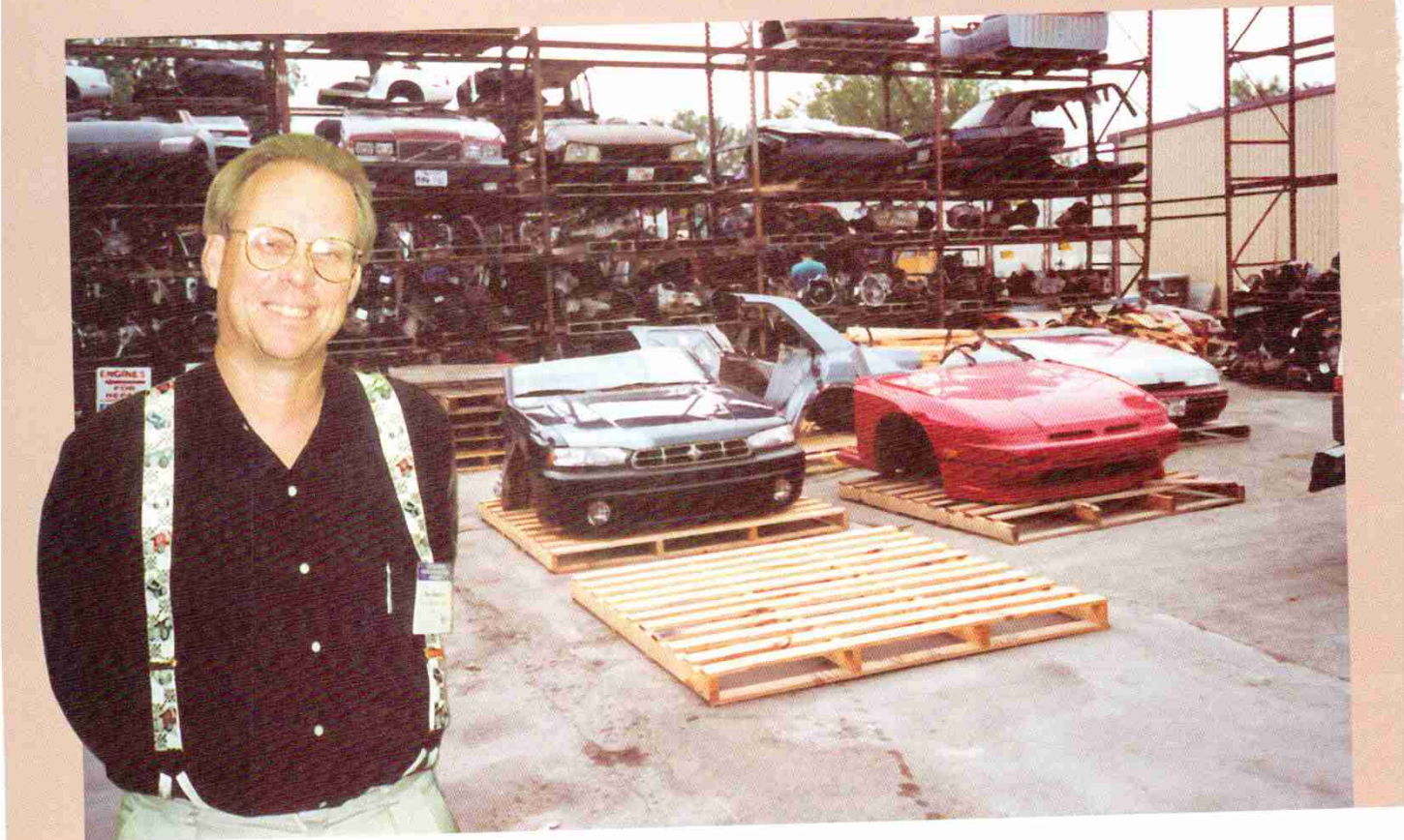
**DISCOVER HOW
Ron Sturgeon developed
a Texas-sized salvage
operation**

ask the expert

Ron Sturgeon:

A TEXAS-SIZED

Salvage Operation



Ron Sturgeon has taken auto salvage marketing to the next level at his six yard operations in Texas.

If you ask Ron Sturgeon for his opinion, you'd better be prepared to get it.

by Chris Carlson

For the better part of two decades, Sturgeon has pulled no punches in his quest to establish a salvage network across the state of Texas. From his hometown of Ft. Worth—where he started his AAA Small Car World in 1979 with one employee—Sturgeon has built a mini-empire. He currently owns six yards in the Lone Star State (AAA Small Car World; Auto Recyclers of Houston, San Antonio, Austin and Ft. Worth; and Budget American & Import in Ft. Worth) while his three sons, Keith, 26; Brian, 23; and Scott, 21; each own their own salvage yards and compete openly with one another.

While Texas is a big market for the automotive dismantling

and recycling industry, Sturgeon can thank his willingness to buck trends for his own success. Consider this example: While a number of businesses have put an emphasis on beautification and yard improvement over the past decade, Sturgeon had his own agenda and followed it to the letter.

"Back in the '80s, we were buying cars, not storefronts," he said matter-of-factly. "If you put your money into cars, that leads to more sales and that leads to more profits."

"Yards must continue to modernize, but you have to be conservative and you have to draw a line."

It's Sturgeon's ability to zig while the salvage industry zags that has made him a successful businessman and a marketing guru. This is an impressive accomplishment when you consider Sturgeon started his collegiate experience as a marketing major, but didn't finish his schooling. It's been a learning experience for Sturgeon and his family since he first got into the garage and body shop industry in 1974.

Like most modern dismantlers, Sturgeon soon realized that he could make more money selling parts off of cars rather than rebuilding and reselling them. But the brief experience in body shop taught Sturgeon valuable lessons.

"I think my background in auto service gave me an edge in that I knew about cars," he said. That hands-on approach perseveres in his work today. "I still inventory all the cars at AAA. That's unusual today, but it helps me learn more about cars." Sturgeon and his staff write the interchange for Mercedes-Benzes and expensive imports while his wife, Kathi, does all the company's data entry and manages Budget American & Import. "She works pretty much full-time, unless she needs her nails done," he chuckled. "She does all the parts entry and location updates, which is about 350 cars per month for the Ft. Worth locations. A lot of yards have two or three people doing that."

Today Sturgeon's work force totals nearly 100, and that staff has an employer that is willing to go the extra mile. Employee training plus purchasing the high-quality salvage needed to sell high-quality used parts (Sturgeon personally buys 95 percent of the salvage for all his yards) contributes to that end.

"The two biggest complaints dismantlers have are, number one, there's no good salvage out there. AAA Small Car World has no problems getting salvage," he said. "And number two, and this could be the single-biggest impediment to growth, is to hire and train a full-time staff."

Sturgeon's staff, for the most part, originates from outside the salvage industry and goes through a rigorous in-house training program that lasts 60 - 90 days. Sales manager Tammy Haddock oversees a sales staff of 30 people and tries to keep at least two people in the training program at all times. A test is administered to all prospective counter staff, testing applicants on such topics as assertiveness, organization and automotive knowledge. Obviously, an applicant must achieve a certain score before they can be considered for a position. If they can get past this test and the interview process, the new counterperson then spends time in each department of the company during the first few weeks of employment, getting to know the intricacies of the business.

(Ron is also a fanatic about maintaining a drug-free

workplace, so all job applicants must be tested accordingly.)

In addition, Haddock also holds morning classes for new employees in the training program, a program that has allowed Sturgeon to boost his sales staff from 12 to 30 in just three years.

Granted, Sturgeon allows, most small yards can't afford to have such a training program, but at one time, his was a small operation, too. He went the extra mile to ensure the staff was a group of well-trained professionals. Now that he's put the extra time, effort and necessary funds back into his business, Sturgeon sees a bright future for his company.

"I think the single biggest mistake a yard can make is that they don't know their customers...It used to be that a yard would say anyone driving a car is a customer. Not anymore."

"We want to continue to grow and we want to take advantage of the synergies of being a large business," he said.

The growth has been tempered for now, but there's more in store, including a possible jump to Wall Street. "We want to digest what we have and expand as we see prudent, probably outside of Texas," Sturgeon said. "We're thinking of going public in a couple of years."

The thought of putting his company in the hands of investors provides plenty of mixed emotions for Sturgeon. "I get excited about it, but it is a little intimidating. However, I like a challenge."

Like most upward-moving companies, Sturgeon's operation experienced growing pains.

"By about 1990, we had grown quite a bit and I was pretty satisfied," he said. "But we had a lot of chaos." So, Sturgeon visited Triplett ASAP in Akron, Ohio, to study the organization. What he saw was the company's ability to improve its system of orders and accounts, as well as its separation of its wholesale and retail divisions. This taught Sturgeon that as a company grows, its business strategies and procedures must change accordingly. (Triplett owner Stu Willen and Sturgeon still communicate. Ron refers to Stu as his mentor.)

"We had just added on and added on and had no changes in our policies," he recalled. He now sees this mistake being made by other companies. "I talked to a guy who went from dismantling 200 cars per month to 400 cars per month and everything was just a mess. You have to realize that when you grow, the business has to change. The administration is different, the sales are different and



AAA Small Car World's training room gives new employees a state-of-the-art classroom during their first two months on the job.

the financial controls are different."

The solution? According to Sturgeon, it's having the right business system. "It's important having that system in place," he said, "and that you understand the system. For a salvage yard, dismantlers just dismantle cars. Salespeople just sell. Now, I know some smaller yards are saying 'well, that's easy for you to say.' But if a customer has to wait for a part because you can't pull a dismantler away to look for it, then they just have to wait.

"Almost all yards fail to see the dismantling facility as a production facility," he continued, "and sales as a free-standing sales team, and order fulfillment as a freestanding team. Each department needs to be focused on its own goals. I think this problem exists industry-wide. A lot of yards are disjointed in their system procedures which really restricts their ability to grow."

But this can be overcome. "It doesn't take much to fix," Sturgeon said. "All it takes is a little thoughtful planning and action. A lot of bad habits have to be broken." Too often, says Sturgeon, yards let the customer dictate the way they do business. "That's not to say the customers aren't important. At AAA, if (a part) takes over 15 minutes to pull, then the whole car has to go to the shop for dismantling," he said. "The customer really will wait. If he can't wait, you have to recognize that."

What Sturgeon is renowned for throughout the salvage industry is his marketing knowledge. He has given a few lectures and seminars and can pinpoint a yard's marketing troubles in an instant. "I think the single biggest mistake a yard can make is that they don't know their customers," he said. "It used to be that a yard would say anyone driving a car is a customer. Not anymore."

Sturgeon is a believer in target marketing. He pointed

out that many of us used to receive a Sears catalog, but how many of us actually order from it? If Sears targeted its audience more carefully, Sturgeon reasoned, it could spend less time and money blanketing catalogs across the country and more time sending catalogs to "targeted" customers, customers the department store giant knew would send in orders. (Consequently, Sears has closed its catalog business.)

"Look at Bloomingdales," Sturgeon noted. "They wanted to market to more affluent women. Then they wanted to market to more affluent women in certain area codes. Then they wanted to market to more affluent women with poodles. All kidding aside, they are doing well while Sears is foundering. That's targeted marketing. You have to keep in touch with what the customer wants."

A prominent member of the salvage industry once told Sturgeon

that a marketing report done on his company showed that garages were his number-one customer and body shops were his smallest. He then set out to boost sales to body shops, dedicating his budget to meet that goal. That, says Sturgeon, is a huge mistake. "I always say, 'who do you never see hearing aids being marketed to teenagers?' That's because you spend the most money on who you sell the most to, not the least."

In addition to innovative marketing and sales techniques, Sturgeon also employs the best in environmental protection. "I like to think that we utilize the latest in environmental technology," he said, noting the closed loop waste water systems and Freon machines on each of his yards. "Some say environmental regulation is tougher in Texas, but we've had no problems."

Sturgeon believes that past junk businesses need to shoulder the blame for the industry's perceived lack of environmental stewardship. "Our predecessors didn't manage their yards correctly," he said. "I know the old-timers don't want to hear that, but there are other 'ugly' businesses, like sandblasting and crane companies, that don't need zoning regulations like the salvage industry. From the '50s to the '70s, they ran bad facilities and had some real ugly places. The city people looked at these guys and said 'they need regulated.' Had our predecessors been more prudent, a lot less attention would have been paid to them and there would be a lot less regulation today.

"The regulations we have, by and large, now are adequate," he continued. "We need more uniform enforcement. Theft is a problem, so nationwide titling reform is needed."

Just another opinion courtesy of Ron Sturgeon. 