

SOMERSET TIRE SERVICE INC. *automotive*

"We have more points of sale than anyone else in the region," says President Bill Caulin.



SEEING IS BELIEVING

Somerset Tire Service says customer relationships really are all about trust. —LISA R. BROWN

BILL CAULIN, PRESIDENT OF SOMERSET TIRE Service (STS) Inc., says customers choose to shop at STS Tire & Auto Centers because of two reasons: proximity and trust.

STS has 110 company-owned locations, which ranks it among the top five largest, independently owned tire and auto dealers in the country.

STS stores, with their bright red roofs, virtually cover the New Jersey landscape. Part of the tire retailer's growth strategy in its 45 years in business has been market saturation. STS stores, which offer full automotive service as well as tires, can also be found in neighboring eastern Pennsylvania and New York.

Caulin says future growth will continue in the northeast region. "We have more points of sale than anyone else in the region," he says. "One of the advantages we have is convenience. We have stores that are four to five miles apart." In a heavily populated state like New Jersey (more than 8 million people), a four- to five-mile radius provides a tremendous

amount of business, the company explains.

STS started with one location East Brunswick, N.J., and grew gradually until the early 1980s, when it had 20 stores. After acquiring Employee's Tire Warehouse's 11 stores, STS' growth was more aggressive. Recently, STS acquired 17 WTC Tire & Auto Centers, which provided STS with a very strong presence in the Long Island, N.Y. marketplace.

"We'll continue our growth, and we're well positioned to grow," Caulin says. "There's opportunity because the auto aftermarket is a fragmented marketplace. It's ripe for consolidation and we will be a consolidator regionally."

The other driver of STS' growth is more difficult to quantify. Caulin says STS Tire & Auto Centers have built a trusting relationship with its customers during the 45 years it has been in business. The company's motto, "It's a trust thing," is more than ▷

PROFILE

Somerset Tire Service Inc.

www.ststire.com

HQ: Bound Brook, N.J.

Employees: 800

Products: Tires

Bill Caulin, president:

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► mere words, Caulin stresses.

"A number of companies are throwing the word trust around now," he says. "We've been saying it for years." Being able to trust automotive service providers came to the forefront of consumers' attention several years ago when several major auto retailers were accused of charging customers for unneeded repairs. "We were up front about it," Caulin says. "We put in quality assurance checkpoints, and our slogan sends a clear message to the consumer as to what they can expect. It also tells our employees the high expectations required of them. The key to the whole process is open communication and we monitor this closely through our Quality Assurance Program (QAP)".

From an STS employee's hire date through retirement, the program provides incentives for quality performance via education programs, honor pledges (signed by every employee), compensation design, customer surveys and staff surveys. The company also employs an independent, undercover shopping service to police itself.

The STS stores themselves invite open communication. Walking into an STS store is unlike the typical tire retailer experience, Caulin says. "Glass walls separate the showroom from the bays so customers can see into the work bays." This transparent work environment design has been a big part of supporting the company's branding strategy and promoting trust.

"The invitation is to watch what is going on," Caulin says. "The other thing that is very different is that the customer is encouraged to talk to the technician. They're invited to the bay."

100 Percent Employee Owned

THE COMPANY'S STOCK HAS GROWN AT A COMPOUNDED RATE of almost 20 percent for 45 years, Caulin reports. He credits the success to the fact that it is 100 percent employee owned and is one of the 100-largest majority-owned employee stock ownership plan (ESOP) companies in the country. The ESOP structure, Caulin points out, has provided tremendous value in several areas. "By using the ESOP, the company was able to buy out the first-generation owners and recapitalize the business, making it 100 percent employee owned."

As an employee benefit, "We are able to develop a niche in attracting the right kind of labor – people who want to make a difference – people who have an entrepreneurial spirit and have a vested interest in the company," he says. Today, for every dollar STS earns, almost 50 percent is turned back over to the employees in the form of stock or dividends. "It's a sharing formula that's second to none," Caulin says, adding that the other 50 percent is reinvested in the company.

An ESOP is also instrumental in the acquisition arena. "We can offer a very unique opportunity to a particular seller," Caulin says. "Typically a seller is concerned about the tax impact of the sale and the impact on employees. ESOPs can address both concerns. The seller can minimize taxes and also tell their employees they will share in the ownership of the new company. That's very important. We have no interest in going public. We have our own market and we have a succession plan and an ESOP vehicle. The company operates as a public company but doesn't have the pressures of a public company." ■