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March 1996 \$10

An official publication of the Service Station Dealers Association of Michigan

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Inside S



1996 Convention

BOYNE HIGHLANDS, Aug

March 1996

What are your options in advertising?



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Jack Baker and his brother Jeff keep 'service' in service station.

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### President's Corner -

Dennis Sidorski, SSDA-MI President



The MDA has become one of our most reliable supporters through their consumer complaint line.

### Department of Agriculture our best defense against the 'bad gas' rap

Bad gas has become a hot topic.

Recently TV stations in Grand Rapids and Metro-Detroit have aired special reports on customers being ripped off by bad gas. Unfortunately these stories have pointed the finger at dealers. Most dealers have supply contracts specifying the fuel must meet MDA octane standards, therefore they are often at the mercy of their supplier. Regardless, these recent television reports have put the dealer in a questionable light. And in this business

image is everything.

We do, however, have a great course of defense at the state level. The Michigan Department of Agriculture (MDA), specifically their motor fuel quality division, has become one of our most reliable supporters through, of all things, their consumer complaint line -- 1-800-MDA-FUEL.

In 1983 SSDA members worked with MDA to establish 1-800-MDA-FUEL as a way to not only maintain the customer's trust, but to help expose and punish fraudulent dealers selling bad gas. In the 13 years since the line was set up there have been many investigations into "bad gas" retailers; but more importantly it has provided dealers with a third party to verify the quality of their gas. When a customer calls alleging bad gas has hindered their car, the MDA immediately takes a fuel sample from the station and tests it in their lab. In most cases the results show there is no problem with the gas.

The cooperation of SSDA members and the MDA is a great example of

the private sector and the state working together for the good of both an industry and its customers. Your association worked hard in 1983 to preserve the credibility of its members and circumvent harsher regulations.

The relationship fostered with MDA in 1983 has led to other successful programs, like the "Fill It Up" project, where dealers volunteer to pump gas at the self-serve price for handicapped motorists. SSDA worked hard to establish this program as voluntary, allowing participating dealers to set their own hours. These efforts circumvented legislation mandating hours and participation. The program's success was recently recognized nationally. "The Lundberg Letter," a twice-monthly analysis of the oil marketing industry, called Michigan's "Fill It Up" program "a model for the nation."

SSDA is committed to protecting a positive image of our members as caring, reliable and honest business owners. I hope future media reports do the same.

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### Look for the logo

The 1996 SSDA Convention logo will guide you to Boyne Highlands for this year's convention.

Look for it in your mail for the

latest in registration materials, the early bird special, and regular updates. It's a great looking reminder of all that awaits you at the SSDA 1996 Convention.

We look forward to seeing you at Boyne this August!

Thank you to Chris Knape for designing our convention logo.

## The ad game

### Every business needs to promote itself, what will work best for your station?

By Amy Johnston

dvertising. Some business owners view it as a necessary evil. Others see it as an integral, and even fun, part of their business. The following article offers insight on some of the more common forms of advertising your business and throws out a few suggestions you may not have thought of.

### **Billboards**

Many see billboards as one of the most cost effective forms of advertising based on exposure. Billboards cost half as much newspaper and radio, according to the Outdoor Advertising Association of America.

"Obviously the most effective medium for a service station without question is billboard advertising," said Roger Martin of the Lansing advertising firm Rossman-Martin and Associates.

SSDA member Randy Markham has been a billboard user for 26 years. Currently he uses up to 15 billboards for his five Lansing area locations, trying to put one in each direction on the highway to advertise his car washes and fast food tie-ins. Rising costs have led Markham to sharing billboards with other businesses. His billboard along I-96 near Okemos includes the Comfort Inn and another business. It's hard to measure the success of a billboard, but Markham said his freeway business is good, so something is working.

According to the Michigan Outdoor Advertising Association, 77 percent of Michigan residents use billboards and 94 percent agree they help travelers. It's important to use your freeway billboards to give detailed directions to your station and promote what the highway traveler wants, whether that be food, clean restrooms or "easy on - easy off" access.

Outdoor advertising is usually sold on a 30, 60 or 90 day basis, with some companies letting you rotate your site. Location is a big factor in determining the price of a billboard, as well as the materials used to display your message (a painted on message vs. a printed poster).

### Radio

Radio advertising allows a dealer the chance to make local impact with their business name, while flexing their creative muscle. Lansing dealer and SSDA member Rich Bratschi takes a personal approach to his radio advertising -- he and his wife Colleen are the "on-air talent" in each spot.

"We ve had a lot of fun with radio," Bratschi said. "It's real gratifying when people say they heard your ad."



This billboard on 1-96 between Lansing and Grand Rapids uses its easy access off the freeway as a selling point. Highway locations can really benefit from billboards.

For the motoring public, radio can be the last stop before a purchase, said Lisa Smith, general sales manager at Lansing's Oldies 97.5 and Newstalk 1240. Smith said radio has the advantage of being active and passive, hitting 96 percent of the population.

Radio also offers a great chance for local tie-in. Kalamazoo SSDA member Mert Frost advertises on the radio during Western Michigan University Bronco sporting events. He said the radio ads are great companions to his game program ads and his rink-side sign at the hockey arena. Advertising executive Martin suggests offering your car care expertise to a radio news/feature show.

Radio ads are commonly sold in 30 or 60 second blocks, Smith said. She added, radio spots can be created and on the air within a day, making them great for last minute promotions or business changes. Markham said he uses radio when he has a special promotion, like a grand opening.

#### Newspaper

Newspapers tend to come in two varieties: daily and weekly. Many agree daily papers are too large for advertising a neighborhood station. A better alternative might be your community weekly or "shopper" paper. These papers are usually delivered to all households in a market area, reaching 98 percent of the area's population, said Gayla McUmber of Community Papers of Michigan. McUmber said newspapers are usually kept 4-6 days and are looked at as a business and community reference tool.

Neighborhood locations tend to benefit more from newspaper advertising. Again, try to find a local tie-in. Several dealers run "athlete of the week" promotions with the local high school. Try putting the winning athlete's picture and name in your station ad each week; or offer car care tips with each ad; or use your ad to help promote community events you are involved in.

### **Yellow Pages**

The average adult turns to the Yellow Pages 1.9 times per week, according to the Yellow Pages Publishers Association. A Yellow Pages ad is seen more as a reference than a blatant advertisement. A service station offering repair and/or towing service will especially benefit from advertising in the Yellow Pages. However, with stations offering so many services (car washes, c-stores, fast food) it can be hard to decide the heading to place your ad under. Yellow Pages are relatively cheap and have a year-long run, but you're not able to change your ad during that year.

#### Direct mail

There are several ways to utilize direct mail. First, you can cultivate your current customer base through mail promotions. Keep an active data base of your customers (you can get their names and addresses through work orders, personal checks, or frequent buyer cards). Send them special coupons, advance notice on promotions, and announcements for special events. Several members with repair facilities, including Bratschi, send service reminders for oil changes and other regular maintenance. Bratschi said it's one of the best and most cost effective advertising methods he uses. More than 78 percent of Americans open, read, look at, or set aside direct mail, while only 17 percent discard it without even reading, according to the U.S. Postal Service Household Diary Survey.

You can also use direct mail to attract new customers. Check out the "Welcome Wagon" type of service in your neighborhood. These groups will send a personalized letter from your business to all new residents, and they usually provide you with monthly reports on who received letters. Most metropolitan areas also have some form of a "Coupon Pack" where your coupon is sent with others to a large group of households.

### **In-store promotion**

Many dealers agree your best advertisement is your business. "Your biggest advertisement is your location. Everything else is to supplement that," Bratschi said. "When buying advertising don't do something your corner already does.

Several members hand out flyers and coupons at the store. While this may not attract new customers, it is very effective in bringing people back. Kalamazoo member Frost said one of his biggest promotions is his special oil change price, which is advertised through station signs and flyers handed out to customers. Some dealers use frequent buy incentives. For example, Markham offers a car wash punch card where you earn a free wash when you fill the card. If you have a c-store with gourmet coffee try a coffee club.

Try one or more of the following store promotions or 'free advertising:

- Invite a local politician to come and greet constituents while pumping gas or serving coffee.
- If you have a large parking lot, let a local school or group use it for a car wash.
- If you're near the highway try offering free coffee or donuts with a fill-up to travelers on busy weekends like Labor Day or 4th of July.
- Offer your expertise on car care to a local radio or television show, or a newspaper column

- · Offer your station as a backdrop to local TV or print media when they re doing stories on the industry.
- Stay involved in your community by serving on local boards, helping with charity drives, or sponsoring a local team.
- Give away 'freebies' with your station name on them, like city maps, pens, magnets, frisbees, calendars, or small trash bags for the car.

Whatever meth-

### Let them know your name.

Promote the fact you're a locally owned business by using your name often.

- Use your business name in all ads and flyers, when answering the phone, on free merchandise for customers, signage at the station if possible, and on all service orders.
- Let the media know you're a local business. Many papers, especially small ones, run local business features regularly.
- Lend your support to local events, charities, sports teams, and/or institutions.

ods you use, make sure you take a good look at your station first. What are you promoting? Where's your location? Who are you trying to attract? A billboard may work well for a highway location, while the local paper works better for a neighborhood station. Either way you look at it, advertising is an important supplement to the look of your station, the attitude of your employees, and the quality of your product.

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Terry Burns, executive director SSDA-MI

Do you ever catch yourself asking "Why am I in the gasoline business?" That's a great question as long as we can answer it and/or learn from it. Otherwise, it can tear us apart.

Our industry has been in the news a lot recently. Television stories on gas quality and employee safety aired in February. Newspaper articles on the rising, falling gas prices are constantly questioning our industry. A recent article in National Petroleum News by Steve Dwyer started off saying, "Resilience -- the ability to recover from or adjust easily to misfortune or change." Mr. Dwyer was referring to the Detroit area petroleum market.

Resilience is the word that best describes today's dealer. Each morning dealers wake up to changes in marketing practices, new demands from customers, and supplier tactics to control

### A little snow won't dampen a dealer's work ethic

profit. Dealers have proven their resilience over and over to the point where the customer expects it from us; often with no understanding of what really goes on in this business.

Andy Rooney recently wrote an article titled "Tales of a Blizzard." That article was right on target in explaining the work ethic of a dealer.

Mr. Rooney described the recent enormous snow fall in New York City and his walk to work that morning. He said he could walk in the middle of the street because the only traffic was a few snow plows and a few resilient business owners.

"All the good small stores ... were already open

and someone was out front shoveling, "Mr. Rooney wrote. "All the tacky stores were closed and the 28 inches of snow lay unshoveled in front of them. I passed three newspaper kiosks that were open. The small businessmen who run those needed the money. When I got to the office the company that delivers all the papers to CBS hadn't shown up. There's a lesson here: The people who had to make a living were working; those getting paid whether they came to work or not, found it impossible to get there."

There is no doubt that when the people of NYC went to their local service station dealer that morning for convenience items, emergency vehicle assistance, and/or gas, they found the stations open, snow shoveled, and ready to serve.

So, when we ask ourselves, "Why am I in the gasoline business?," we can immediately answer with: "I have a product the customer needs and wants daily. That need brings us daily opportunities to attract new customers. Then it is up to us to keep those customers." This ability to develop and maintain customers is the dealer's advantage over any jobber or company operated station.

If the above answer isn't enough to justify your daily work, then fall back on Andy Rooney's comments and answer, "I need the money."



### Inside the State

### Mike Gadola

### Governor's front man on eliminating unnecessary regulations

By Amy Johnston

Six months after Governor Engler set up the Office of Regulatory Reform in 1995, 1,000 unnecessary state rules were axed. By this summer another 1,000 will be eliminated

The man at the chopping block is Mike Gadola, former deputy legal counsel for the governor.

"We've certainly gone overboard in terms of over regulating, there are simply too many rules," Gadola said from his office in Lansing.

Gadola is one of the front men in the governor's quest to simplify government and take burdens off of business. By executive order in March 1995 Engler set up the Office of Regulatory Reform to a) evaluate proposed rules for relevance and common sense, and b) review existing rules on the same criteria and either rescind or amend them.

"We pile rule upon rule in an effort to deal with every possible circumstance," Gadola said. "We need to give people the freedom to exercise their own common sense."

Rules eliminated last year include several governing education programs that haven't been funded in 20 years, Gadola said. He also said they eliminated rules governing meat inspection at the state level, because it is now handled solely by the federal department of agriculture. Gadola said one reason his office eliminated so many rules last year was because "no one else wanted to go to the trouble of getting rid of these rules."

Surprisingly, state agencies welcomed Gadola's help in taming regulations. He said he's probably touched every state department so far in his quest to rid non-essential rules.



Mike Gadola in his office in Lansing Gadola is clearing the state coffers of non-essential, burdensome rules.

"The agencies have been very cooperative," he said.
"They re somewhat grateful for our involvement, it's the first time there's been any support from the executive office."

Now Gadola is ready for help from the public. The governor's executive order specifically asks the office to review requests

### Is there a rule you could do without?

Here's how to let the Office of Regulatory Reform know about a rule/regulation that is better off eliminated.

- Call the office at (517) 373-0526.
- Write Mr. Gadola at: Office of Regulatory Reform, Olds Plaza Building, 111 South Capitol Ave., Lansing, MI 48933.
- E-mail the office at http:\\migov.state.mi.us\rules\orr
- To check on the status of current rules being reviewed, take a look at the ORF's site on The State of Michigan's home page on the world wide web.

from the public. Gadoła said there has not been enough public input yet, so he's looking to gain visibility. The governor touted the office in his State of the State address earlier this year, but that may not be enough. The office has gone to the world wide web with status reports on rules being reviewed and an e-mail address for citizens to give feedback and suggestions.

When a citizen makes a request to rescind or amend a rule, Gadola's office talks with the appropriate agency, responds to the citizen, and then takes any action needed. Sometimes all that's required is an administrative action to change the rules. Sometimes the legislature has to make a statutory change. Either way, Gadola said the citizen s concern will be looked at carefully.

The other half of the process is looking at proposed regulations before they are enforced. This means each agency must file a "request for rule making" with the Office of Regulatory Reform. The request addresses the goals, enforcement, need, and economic impact of the rule. Gadola's office follows the rule through the entire process. They are so involved, they now handle legal certification (instead of the attorney general) and they file the rule with the Secretary of State. Each agency is also required by the executive order to file an annual regulatory plan that includes a review of existing rules and preview of rules on the board for the coming year. Gadola is also working with the state legislature to curb the practice of including rule provisions in certain laws.

In the future, Gadola would also like to greatly reduce the amount of paperwork business owners must complete. His office wants to follow the "paper trail," surveying existing forms to see why they are filled out and what happens to them once they re sent to a department. It's safe to assume many forms completed by business owners never make it past a filing cabinet.

Mike Gadola said he is enthusiastic about his office's narrow focus of lessening the undue regulatory burden on citizens. He hopes the public will give him feedback with as much enthusiasm.

### Membership

Terry Burns, SSDA-MI

### Workers' compensation program returns 20 percent to SSDA members

The SSDA insurance committee announced a Dodson Group premium dividend of 20 percent for the 1994-95 year. Participating members in good standing will receive their dividends in mid-March. This dividend is in addition to great competitive rates and, in many cases, an up front scheduled credit.

This premium dividend is a great example of the benefits of our Association. SSDA benefits, like the Dodson program, consistently increase members' bottom lines, while giving them the business services they need to stay competitive.

If you do not currently participate in our Dodson program now is the time to enroll. The new 1996 rates are even lower than 1995 with the same scheduled credits in place. If you would like to have a quote on your workers' compensation from Dodson Group please call the SSDA office.



SSDA Executive Director Terry Burns accepts this year's premium dividend check from Dodson Group. The dividend is dispersed to members participating in the Dodson program.

From left: Dodson's Phil DeLage, T. Hale Johnston, SSDA's Burns, and Elmer Gibson of Dodson Group.

### SSDA welcomes Tony De Luca to member services

SSDA is happy to welcome Mr. Tony De Luca to our staff in the position of membership services. Tony joined our staff at the first of the year, and since then he has been meeting members and studying current and future member benefit programs.

Tony, who lives in Lansing, brings with him 10 years of experience working for the Michigan House of Representatives, and recent work as a consultant on legislative issues.

Beginning this summer. Tony will be on the road vis-



Tony De Luca is the newest addition to your association staff.

iting members to find better ways to serve you.

"I'm looking forward to meeting our members and learning more about our industry," he said.

If you see Tony at your station this year, remember he's not a salesman, he already works for you.







"Our Hanna Petro-Bay Wash helped greatly improve our bottom line. A top quality wash in a limited space."

> -Tim Mariner SSDA member Wyoming dealer

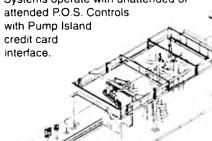
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Please call 1-800-722-WASH to learn more about how a Hanna-Sherman car wash can benefit your business.

Jim Mitchell, president of Mitchell Design Group

### Trends in merchandising, customers, store design, marketing

The following article is an interview with Jim Mitchell, president of Mitchell Design Group, that appeared in the June 1995 issue of National Petroleum News.

Some thoughts on future trends from the everfertile vision of Jim Mitchell, president of Mitchell Design Group, an Irving, Texasbased consulting and design firm.

• Customers. "Probably the most important trend in our industry is the tendency to start focusing on customer satisfaction rather than just customer service," Mitchell says.

Customer satisfaction is having the customer feel very good inside your store. It becomes a pleasant experience. It has to do with how the customer is treated, but that's only part of it, Mitchell says. "We have opportunities. Our customer mix is no longer just Bubba. And the greatest lost opportunity in our industry today is the woman shopper. If I can pull in 'grampies' - consumers over 50 - and I can pull in women to the extent they are at least 50 percent of your customer base, there is another 25-40 percent volume in your store right there, and that's done through customer satisfaction and visuals.'

Mitchell says this means doing things so the whole shopping tour is more customer focused. "We've had a tendency in the past to be very mechanical in our training of our people in customer service. I think that's going to change."

"Let's look at inventory, for example. In the past, we were very concerned about how quickly we could inventory a store, instead of focusing on how quickly can we sell out everything we have in it. We can turn far more health and beauty aid sales by selling trial size products in wire dump baskets than trying to sell a 20 oz. bottle of hair spray on a 3-ft. fixed gondola shelf. The problem that's often mentioned is it's hard to inventory them. My solution is don't worry about the inventory, we're going to sell it."

· Micromarketing. "The truth is, we all sell the basic products in every location chips, candy, pastries and coffee," Mitchell says. "Micromarketing has far more to do with individual locations. I would carry a little different line of products in a freeway location than in a neighborhood site. In a heavily traveled boulevard, I might have a 14 to 20-ft.coffee system, whereas in a neighborhood I might get by with 10 or 12-ft. This isn't so much micromarketing as deciding that in a specific location we're going to carry additional products over and above our snack shop lineup.

"More important than micromarketing is the need to present products in a different image than in the past. And be selective. I go into interstate stores that are selling sardines. Who put these things in? This happens because we've gone to wholesalers to define our product mix, and they put the same things everywhere. It's time to take our stores back and

do a better job ourselves."

• Merchandising Opportunities. "The checkout counter of the future is round. It dispenses cigarettes from the checkout itself and hangs wire baskets off the front for merchandising.

"It provides a nice clean look. We take vendor racks off the checkout and put in special display racks for them. An example would be smokeless tobacco. Instead of Copenhagen having a rack and all of them having individual displays, we put it in the 'tobacconist room,' an 18-inch section with dividers where the cans roll down so all show off together.

"There are opportunities missed when we clutter up out stores for no reason.

"Check cashing is going to be a major force in our industry," Mitchell says. "Consider that 40 percent of the people in the U.S. do not have checking accounts, and they use check cashing places as their banks. We have an opportunity to put money in the hands of our customer base, right in the store.

"There's an overlooked opportunity in what I call the 'home office.' This is something as simple as a counter with stools in front of it and a pay phone. When was the last time you saw someone using a telephone outside, in the dirt, in the sun, in the noise, trying to balance a book on his or her arm?

"Bring them inside the store—again we're looking at customer-driven design and put them down at a little desk. Offer them coffee, a fax machine and a computer.

"The U.S. Postal Service

will be closing a lot of post offices between now and the year 2000," Mitchell says. "There's a little 6-ft. kiosk that will be available very soon that offers 60 lock boxes, dispenses stamps and money orders—all done through a TV screen monitor in a 6-ft. long kiosk. So here's another customer-driven service."

- Store design. "In one of the new designs we have, called the 'Home Plate' the employee walks no further than 15 feet to get to the branded food department, stockroom, office, restrooms or the walk-in cooler. The triangular-shaped Home Plate features a mall-like setting for the seating area, rather than just a few little booths up against the window.

"Create a mall," Mitchell says. "Open seats, silk plants, light coming into the store - a store with a 90-ft. glass front that feels like an open air market.

"We've been known as the dirty little store on the corner. We've got to beat that image. We've got to have 'The Grand Promenade' - big, high lobbies; big, grand entrances. This will attract women and Grampies and keep the customer base we have.

"The island marketer is dead. It's a design that, over time, has proven out not to work. It doesn't work because a good island marketer has \$10,000-\$12,000/week in inside volume. You can't live on \$12,000/week volumes now. We have to drive volumes higher, and by doing that, we're going to have to have a new design."

### Regulatory Update

Terry Burns, SSDA-MI

### State gets tough on tobacco sales to minors

Senate Bill 730, a bill to must be checked. regulate the retail sale of tobacco products, is now before the full House for consideration. This bill brings the state into compliance with federal law prohibiting tobacco product sales to minors.

This bill also allows the state to have one general law governing this issue, rather than separate laws for each county or municipality. The general provisions of the bill

prospective purchaser's proof of age

- A tobacco product retailer must have a written policy explaining the age
- Each employee selling tobacco products must sign a form stating they have reviewed the written policy and understand it.
- Each employee selling tobacco products must receive a copy of the law as enacted.
- A sign provided by the state department of public health must be posted in each business.

- A person who sells tobacco at retail shall display single packages of cigarettes behind the counter at a point of sale or within plain view of the cashier at the point of sale only.
- Violations can be assessed to the business, the employee, and the underage customer with fines from \$100 to \$500 depending on the infraction.
- The state police or local law enforcement can enforce the law (not the department of public health or a local health department).

This bill penalizes both the retailer and the underage customer for violations. The retailer is not in violation if the underage customer provides a false identification, or if no action is taken toward the customer.

This bill as it is written now seems to be a compromise that will work. There are many amendments scheduled for debate when the House takes up this bill. If you have any thoughts or questions, please call the SSDA office. We will continue to update members.



# Uncompromising Full Service

By Amy Johnston

For more than 50 years residents of Tecumseh have depended on the friendly, full service of a small station on Chicago Blvd. downtown.

Brothers Jack and Jeff Baker have no intentions of trading in that famous service. Baker Brothers Friendly Service, currently a Sunoco station, has no self-serve pumps, no fountain drinks and no pizza slices. Instead they offer plenty of smiles, conversation, quality repair work, full service gas pumping, and a long tradition of being there for motorists.

### What started as a part time job...

In 1962 Jeff Baker followed in the footsteps of his two older brothers and went to work for dealer Harold Easton. Four years later Jack was on the job. In 1986 Mr. Easton retired after 41 years in the business and sold the station to Jeff and Jack. Since then Jack said there haven't been too many changes at the corner station.

Sure, they switched from Mobil to Sunoco in 1990 and the station has undergone aesthetic upgrades; but what's important has never changed. Both Jack and Jeff said their station always has, and always will be, built on service.

"People are amazed there is still a place like this." Jeff said. Jack added, "We're the only place in town where you can get air for free."

During their early years in the business there were at one time 32 places to get gas in Tecumseh. Jeff said. Today there are four, and the Bakers' station is the only one offering full-service and repair.

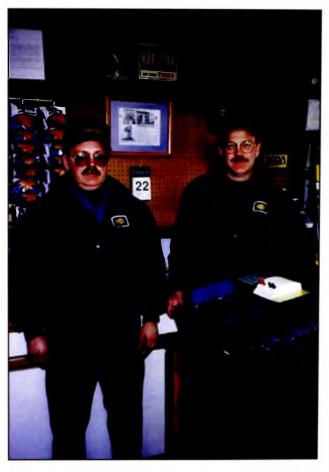
In fact they're the only station offering repair for miles. Jack said they often get motorists off US 23, which is 15 miles away. Being able to help motorists is why Jack said they've stayed in the business.

"It's a satisfying business," he said. "To be able to help someone out on a Saturday or Sunday and get them back on the road [is great.]"

#### Adapting to an evolving community

Being open for repairs on weekends and nights is one way Jack and Jeff have adapted to the changes in Tecumseh.

A small town lined with family owned businesses. Tecumseh used to rely on Tecumseh Products as its economic vein. Jack said when he was growing up everyone s father worked at the products company. When the company downsized and closed much of its Tecumseh operations, the town became more of a "bedroom community." Now



Jeff (left) and Jack Baker got their first jobs working at the same station they now own. Now their sons are working for them part time.

people commute from the small town to places like Ann Arbor and Jackson for work; coming and going at all kinds of hours. The Bakers stay open later for repairs and offer weekend repair hours.

Jack describes his hometown as "a great place to raise a family." He and Jeff have contributed greatly to the openness of the community. Jack is currently mayor of Tecumseh, a volunteer position that works more like a part time job. Jeff retired five years ago from a 20-year career with the volunteer fire department, including five years as fire chief. Baker Brothers Friendly Service also sponsors softball, little league baseball and high school teams, as well as a long list of community programs.

"You've got to buy into the community," Jack said.



The Bakers' Sunoco station, on Chicago Blvd. in Tecumseh, is one of many family-owned businesses that line the streets of the small town between Jackson and Ann Arbor.

### **FORMALITIES**

- In 1962 Jeff started working at dealer Harold Easton's station in Tecumseh.
- In 1966 Jack joined Jeff at the station.
- In 1986 the Bakers bought the station, and in 1990 they switched from Mobil to Sunoco.
- Jack and Jeff grew up in Tecumseh with their four brothers and sisters.
- They have both raised their families in the town as well. In fact, both Jack and Jeff have sons who are high school seniors and work part time at the station.

### The right source for the market

You also need to put something into this industry to get something out of it. Jack and Jeff turn to SSDA to keep them connected to the market. "It keeps us abreast of what's going on in the industry, I don't know of a better source," Jack said. Jeff agreed, saying the contact with other dealers is invaluable. Their former boss, Mr. Easton, was a longtime SSDA member and the Bakers said it only made sense to join the association in 1986 when they became dealers.

#### Full serve will always be in style

Today oil companies are talking about "new" programs where employees are trained in full service. The Bakers have never abandoned full service. They feel the customer wants a smile and personal attention, and is willing to pay for it. Greeting each customer personally has worked well for the Bakers. Don't count on them dropping the "friendly" from their station name any time soon.

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### **Business Focus**

Gregory S. Tarr, Advanced Planner Group, American Express Financial Advisors Inc.

### Have you thought of everything when tax planning?

For many people tax season ends April 15. But if you're a small business owner, tax season has no end. You need to be aware of your tax situation in winter, spring, summer and fall.

In fact, if you want to take advantage of all your allowable personal and business tax deductions *next* April, you should start planning today. Here are some key tax issues to consider. Of course, for answers to questions about your particular situation, you'll need to consult your tax advisor.

Do you have the right business structure? At one time you most likely decided whether your business would be taxed as a sole proprietorship, C-corporation, or an S-corporation. And, if your business has experienced any change, you need to determine whether or not this original structure is still appropriate.

From a tax standpoint, each business structure has its own advantages and drawbacks:

- If your business is a C-corporation, then it is subject to *corporate* tax rates. Your personal tax liability is limited to any income you receive from the corporation.
- If you operate as an S-corporation, partnership, limited liability company, or as a sole proprietor, all business income and expenses flow through directly to you. You will have to pay taxes on any profit generated by the business. These taxes include self-employment tax in addition to federal and state taxes. (However, in the case

of an S-corp, as long as the owners pay themselves a reasonable salary, any profits which flow through directly to them are not subject to self-employment tax).

• One advantage of a C-corp is the business can deduct the full cost of health insurance premiums. Sole proprietors and S-corp owners aren't so lucky. They can deduct only 25 percent of health care premiums.

Pension plans. Are you taking full advantage of the tax benefits of a pension plan? By setting up a money purchase Keogh plan and funding it to the maximum level allowed, you can save as much as 20 percent of your income -- up to \$30,000 a year -- in a tax-deferred retirement account. Your initial contributions are tax deductible, and you pay no taxes on the account until you start withdrawing funds, after age 59 and a half.

Another pension option is the SEP, or simplified em-

ployee pension. This plan lets you sock away 13 percent of your earnings, up to \$22,500. One drawback: If you establish a SEP for yourself, you must set one up for your employees as well.

**Equipment** chases. Are you getting the maximum current deduction for new business equipment? Section 179 of the tax code allows you to deduct up to \$17,500 of the cost of equipment in the year you buy it. Otherwise, you must spread, or depreciate, the deduction over three, five or seven years. Section 179 is particularly appealing if your equipment purchases include computers, copiers, fax machines, or high-tech items. If you were to depreciate this equipment over several years, it could easily become obsolete before you could deduct the full cost.

Charitable donations. As a small business owner you can reap some benefits through charitable dona-

tions. Well placed contributions can sometimes reduce your taxable income. Just as important, they can increase awareness and further the standing of your business in the community. Ideally you should seek out organizations that have a logical connection to your business. For example, a repair facility could donate time and parts to fixing up cars for a needy charity. You might also consider structuring your charitable donation as a sponsorship (like a little league team). This may be treated as a promotional item and could help reduce the self-employment tax for sole proprietors and partnerships.

These are just a few issues to consider when tax planning. Your tax advisor can help with more options pertaining specifically to your business.

Gregory Tarr is a guest columnist for this issue of Service Quarterly. He is a financial advisor at 810/827-1230.

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### Members

### Members in the news

The following SSDA members have appeared in their local papers. If your business makes the news, please let us know by calling SSDA at 517/484-4096. We monitor newspapers across the state, looking for our members in the news.

- Cathy Andrews, Grand Ledge Shell, Grand Ledge. Cathy and her husband Ron's station was recognized for their participation in Toys for Tots. *The Grand Ledge Independent* ran a photo of Cathy and other participants in its November 21, 1995 issue.
- Mike Egnatuk, Homer Shell, Homer. Mike was mentioned in the December 28, 1995 issue of the *Homer Index* for his participation in Toys for Tots. A local columnist recognized the good deeds of area businesses. Mike's participation with Toys for Tots was also recognized with a photograph in the December 15 issue of the *Albion Recorder*.
- **Jim Hazel,** Jim Hazel's Union 76, Battle Creek. Jim donated one of his U-Haul trucks to a local food drive campaign. The *Community Advisor* in Marshall ran an article November 15, 1995 about the food drive and Jim's help.
- Richard Keusch, Keusch Super Service, Portland. Richard's station is self-serve, however they will pump gas for the elderly, handicapped, or anyone who truly needs it. The column "Simon Says" in the November 13, 1995 issue of the *Portland Review and Observer* recognized Richard's generosity to the community by going above the call of duty for a normal self-serve station.
- Terry Kildea, Kildea Marathon, Okemos. Terry's station in Okemos underwent a major renovation, adding a touchfree car wash, and a large c-store with pizza, sub sandwiches and bakery items. The progress of the station's renovation was featured in the November 11, 1995 issue of *The Lansing State Journal*.
- Jim Little, H&H Mobil, East Lansing. Jim was quoted in a December 14, 1995 *Lansing State Journal* article on a freezing rain storm in Lansing. Jim encouraged drivers to be aware of tow trucks and other emergency vehicles during hazardous road conditions.
- **Tim Mariner,** Mariner Petroleum Company, Grand Rapids. A feature article on Tim's career and his company's move away from auto repairs to food marts appeared in the October 31, 1995 *Wyoming Advance*. The article talked about Tim's different locations, his education and start in the busi-

ness, and the quality service at his stations. The paper also ran a photo of Tim's latest station in Wyoming.

• Dave Markham, Downtown Mobil, Lansing. The December issue of Lansing City Limits magazine ran a short bio of Dave and



his job as a convenience store owner. The article touched on his family, an average work day, and what he likes about his job. The magazine also ran a color picture of Dave near one of the beverage coolers in his store.

- Darrell Marx, Marx Auto Care, Farmington Hills. Pam's Shell Service Station, owned by Darrell and his sister Pam Migilore, was awarded a plaque from Keep Michigan Beautiful for "outstanding exterior landscaping and general litter-free appearance." The Farmington Observer reported on this impressive award in its December 14, 1995 issue. The article also mentioned that the station received the highest award from the Farmington Hills beautification contest in 1994.
- Tom O'Connell, Howell Soft Cloth Car Wash, Howell. Tom actually won a newspaper column about his business in the *Livingston County Press*. Tom was the highest bidder in an auction for the newspaper column. Editor Buddy Moorehouse touted the quality services and competitive prices of Tom's car wash.
- John Van Proyen, Burlingame Amoco, Wyoming. John was quoted in the January 2 edition of the *Wyoming Advance* for his opposition to the city charging gas stations more for a business license than other businesses. John urged Wyoming City Council members to charge an equal license fee for all businesses, instead of singling out certain businesses with higher fees.



Your industry resource guide four times a year.

### In memory of

The SSDA would like to offer its sympathy to the families and friends of the following indiviuals who have served our industry well.

- Joseph Alhage, retired station owner and SSDA member since 1974 passed away in late January.
- John E. Pallach Sr., semiretired dealer and SSDA member passed away in January. Mr. Pallach's station was Jack's Super Service in Detroit.
- Jerry S. Cohen, a partner in the Washington DC law firm Cohen, Milstein, Hausfeld and Toll passed away in December. Mr. Cohen's firm has assisted our national group, the Service Station Dealers of America and Allied Trades, many times over the years.

### Q. What can the SSDA do for me?



- Α.
- Provide you with one hour of phone consultation with our legal consultant.
- Give you group insurance through Blue Cross/Blue Shield, which you can pass on to your employees.
- Regular updates on legislative, regulatory and membership issues through Service Monthly newsletter and Service Quarterly magazine.
- Save you up to 50 percent with a Visa/Mastercard program; with no transaction fees and a fixed rate of 1.98 percent.
- Earn you an annual dividend with Dodson workers' compensation; this year's is 20 percent!
- •Give you additional promotional points toward Tire Wholesalers programs, as a Tire Wholesalers customer and SSDA member.
- Host an annual convention each year filled with business advantages and entertainment.
- Protect your interests by having an SSDA representative on the MUSTFA Policy Board.
- Make sure your voice is heard in Lansing with an active legislative support network and PAC.
- Put a staff at your fingertips to find the legislative and regulatory answers you need.
- Invite you to join a network of hundreds of other dedicated professionals in the industry who can help with advice and support.
- \*The SSDA can provide you with the knowledge you need and the savings you want.

Please send the application below to SSDA, 200 N. Capitol Suite 420, Lansing, MI 48933

Aı	PPLICATION FOR MEMBERSHIP	_
I (we), by submitting this application and the pay Association of Michigan, Inc.	yment of scheduled dues, hereby apply for membership in	the Service Station Dealers
BUSINESS NAME:		
Business Address:		
Сіту:	M1 Zip: Phone: (	)
County:	Type of ownership: Corporate	Non-corporate  sole proprietorship partnershii
ENCLOSED PLEASE FIND A CHECK FOR PLEASE CHARGE MY MEMBERSHIP TO MY MC PLEASE BILL ME	OR VISA (PLEASE CIRCLE ONE) CARD # AND EXP. DATE	
Annual Membership Dues:	Annual Associate Membership Dues:	
\$41 monthly (electronic banking)	\$25 monthly (electronic banking)	
\$480 annual payment	\$250 annual payment	
Add \$120 per station after four stations.		
Signature	Date	March 1996 SQ

### **News Briefs**

### Multi-state lottery ball rolling

You can expect a mutlistate lottery with big payouts in Michigan by the end of the year.

In February, the House passed a bill allowing Michigan to join with other states for larger jackpots. Governor Engler is expected to sign the bill, which passed the Senate earlier.

The Powerball game, which involves 22 states, voted in 1994 to not allow Michigan to join. Therefore, lottery officials have already started talks with several other states for a new lottery alliance. Lottery Commissioner Bill Martin, who

talked with SSDA members at the convention in August about a multi-state lottery, said such a lottery could mean \$200 million a year in sales.

### 'Fill It Up' deemed a model for the nation

Michigan's 'Fill It Up' program for handicapper pump service at stations, was lauded in a national publication as a role model for the country.

"The Lundberg Letter," a twice-monthly analysis of the oil marketing industry, took an in-depth look at the handicapped population and

service stations in a recent issue. In the issue they reported in detail on Michigan's 'Fill It Up' program, calling it a role model for the nation to follow.

The program allows service station owners to voluntarily offer full-serve pumping at the self-serve price to motorists with a valid handicapper sticker. Handicapped motorists can locate stations offering the service through an on-line computer network, or by looking for a special sign in the station's window.

Station owners can sign up for participation when they renew their retail gasoline license. If you would like to sign up now, or if you are participating and need a new sign, call SSDA at (517) 484-4096.

### The cost of fishing

Periodically we will bring you poignant, often funny, quotes. This one was reported in Gongwer News Service in January.

When discussing a proposed hike in fishing license fees for teens, Larry DeVuyst, chair of the Natural Resources Commission, said it was difficult to argue that teens cannot afford a \$3.25 fishing license when many of them are fishing in \$130 basketball shoes.

### For Sale

**Car wash.** A used rollover car wash. Nu-Star poly pad, five brush, soft cloth wash with underbody rinse. Good operating condition, well maintained, newer cloth. Used three years. Call Tim Mariner or John Racine at (616) 538-7990.

Equipment. An Allen Smartscope with an oscilliscope. Call LeRoy Schultz at (313) 459-1049.

Entire inventory of auto repair equipment. Longtime repair facility owner is selling all related equipment, including cabinets, fixtures, all repair and diagnostic equipment, and related Mobil merchandising materials. Please call Ron Waligorski at Varsity Mobil (517) 332-0236.

**Service station equipment.** Longtime Sunoco dealer has sold his station. Available for sale: Sunoco merchandising materials, diagnostic equipment, cabinets, signs, fluids, filters, wiper blades and other equipment. For more information please call Leo Beacham at (810) 739-3797.

**Gas station/c-store.** An independently owned gas station with c-store in northern Genesse County. Excellent cash flow, terms available. Please call (810) 686-8626 in the evening.

**Algonac station for sale.** 120' x 120' frontage on M29 in Algonac. Two bays, c-store, full service and self-service. Gasoline, kerosene and diesel. Some equipment will stay. Across the street from public access to St. Clair River. At present a Sunoco, but can change. Call (810) 794-4310.

**Independent unbranded station** at 2002 W. Main in Kalamazoo. Includes three repair bays and self-serve pumps for gas and diesel fuel. For more information please call Bill Freevol at 800/862-0358.

**Station for sale.** 150' of M24 frontage. Zoned for commercial use (c-store and/or full service). Asking \$250,000. Please call (810) 628-1875 for more information.

If you are interested in buying or selling an existing service station or equipment please call the SSDA at (517) 484-4096. We are keeping a running list of sellers and buyers.

### Supplier Spotlight

### MECHANICAL WASH SYSTEMS

Soft cloth wash can add shine to your business profits

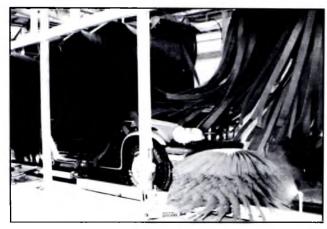
Customer service at Mechanical Wash Systems Inc. is much more than sales calls and a customer service phone line. For the nearly 20-year-old company it's what they do before and after the sale.

Things before the sale, like financial performance projections; computer aided design; marketing services; and, coming this spring, inhouse financing. After the sale of a soft cloth wash system, Mechanical continues to assist the owner by offering 24-hour, seven-day-aweek service on all equipment by factory trained specialists; brand name extra service products like soaps and waxes; and marketing tools like pump toppers and other signage.

A full line distributor of Hanna-Sherman International car wash equipment, Mechanical Wash Systems has grown into one of the top 10 HSI distributors, and the company with the best HSI product mix available -- they have the awards to prove it. President and owner Lou Allmacher started the company in 1977 after working for Standard of Ohio (now BP) developing car washes and later working directly for Hanna. He said he never thought of getting out of the car wash industry because it's continually fascinating and challenging.

The company's vice president, Craig Morningstar, agrees saying the industry is still growing rapidly. "It's an industry that's been around a long time but is still in its infancy," he said.

The company looks at each individual project with this same enthusiasm. Morningstarsaid the difference in each car wash development lets Mechanical Wash use its creativity and expertise. He said they're insistent on working with the contractors and other suppli-



Mechanical Wash Systems specializes in soft-cloth washes from rollovers to full-service conveyer systems.

ers through the entire project, ensuring a consistent job beyond a client's expectations.

Mechanical specializes in soft cloth car washes ranging from rollovers to full conveyor systems, all with the options of unattended controls that can accept codes and/or money. Morningstar said soft cloth washes offer a very consistent, thorough wash at the lowest possible operating costs. They are widely accepted by the pub-

lic as the most complete wash system, he added. And Mechanical Wash will continue to offer support and maintenance, if necessary, for your system long after the sale.

To find out more about Mechanical Wash Systems Inc. see their ad on page 11 of this magazine; or call 800/722-WASH; or see them at booth # 7 at the MPA trade show April 9-11 in Grand Rapids.

### AQUA - TERRA, INC.

Company aims to take environmental liability off your shoulders



Craig Rupnow, president and CEO, said Aqua-Terra specializes in supplying the 'brains' for an environmental project.

The staff at Aqua-Terra, Inc. see their job as pretty simple -- to reduce their customers' liability.

"We want to get that site off the books as an environmental concern," said Craig Rupnow, President and CEO of Aqua-Terra.

Aqua-Terra is a fullserve environmental consulting firm based in Grand Rapids, but with offices throughout Michigan and even one in Poland. With 35 employees, Rupnow says the company has an edge with diversified experience. Their average employee has more than 10 years of experience in the environmental area, he added.

Aqua-Terra's expertise

see Aqua-Terra next pg.

ranges from industrial safety to air quality to hazardous waste. But their main focus continues to be the petroleum market, specifically site evaluations, storage tank management, and "the investigation and remediation of contaminated soil and ground water," Rupnow said.

Aqua-Terra has the ability to evaluate a dealer's location, whether it's a site that hasn't been cleaned up, or one that's been abandoned by another contractor. Rupnow said they can let a dealer know where they stand with the changing regulations, whether or not they need to continue a cleanup, and, if so, what's the best course of action.

Aqua-Terra's staff is well-trained in the new RBCA cleanup standards that allow a site to be cleaned up only to a level appropriate for its designated use. This means certain sites may be closer to closure than an owner thought, Rupnow said. "[RBCA] is a niche we're filling," he added.

Rupnow considers Aqua-Terra the brains for a project. He said the company will design a remediation plan, oversee the project, serve as the general contractor to expediate the plan, and supervise subcontractors as needed.

"We're very project and service driven. We're in a service industry," Rupnow said. "Project management is the core of what we do. We have the individuals to supply the resources to the project manager to get the job done on time and in budget."

The specific, individual experiences of Aqua-Terra's staff allows them to work more efficiently on a project, Rupnow said. Customers can rest assured that every element of an environmental project will be dealt with, greatly reducing the liability and possible fines a tank owner/operator faces.

For more information on Aqua-Terra, Inc. see their ad on page 10 of this magazine; or call 800/455-7408; or see them at booth #347 at the MPA show April 9-11 in Grand Rapids.

Visit both these suppliers and many more at the MPA/MACS Trade Show April 9-11 at the Amway Grand Plaza in Grand Rapids.
Call MPA at (517) 487-9139 for more details.

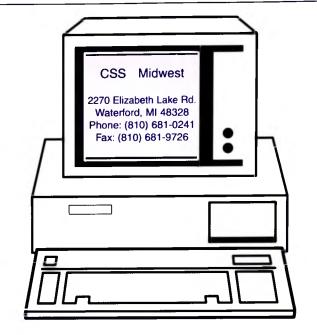
### We remember longtime Amoco dealer Richard Currie

Richard K. Currie, 74, passed away January 19, 1996 of cancer. He is survived by his wife Rose and his children.

Two of his sons, SSDA members John and Pat Currie, now own and operate the Amoao station in Big Rapids that Richard opened nearly 50 years ago. Richard began his career as a dealer by opening a White Elephant station in 1948. Later, in 1952, he became a Standard/ Amoco dealer.

Last fall John and Pat joined the Big Rapids community in honoring their father, a longtime community volunteer and supporter.

Contributions on behalf of Richard can be made to the St. Mary's Building Fund of Big Rapids or to the Huntington Disease Fund.



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Mark Cousens, SSDA-MI Legal Counsel

# Oral franchise agreements 'not worth the paper they're printed on'

An interim decision in an action, by several Kansas Amoco dealers alleging Amoco breached contracts regarding its discount for cash program (DFC) and its investment value rent program, has produced a mix result. Dealers can take heart in a judge's refusal to completely dismiss the action. But many legal theories asserted are part of the written agreement. This argument is based on a clause found in most dealer franchise agreements. The clauses are often labeled the "integration" or "entire agreement" clause. This part of the contract is recognized in the law of virtually every state as prohibiting either party to a contract from trying to modify the written agreement by referring to oral discussions occurring before the contract was signed. For example, a consumer purchasing home remodeling may agree, orally, that there will be five electrical outlets in every room. But the written contract may specify only four. Under this rule of law, the written contract governs no matter what the discussions were.

The dealers acknowledged this rule, but made several arguments in an attempt to get around it. None of the attempts was successful. The primary argument the dealers made was the contracts are "contracts of adhesion." That is, they are pre-printed and issued on a

"take it or leave it" basis. The court agreed that was probably true. But, it said, not every "adhesion" contract is unenforceable. Contracts may be enforced even though they are made between parties of dramatically unequal power -- such as dealer and supplier.

This aspect of the decision was especially disappointing. Most dealers are never going to have sufficient bargaining leverage to offset that of their supplier (there are some dealers with more leverage than others, but even the strongest of dealers is usually unable to bargain the text of the franchise agreement). Dealers hoped a defense to the more harsh provisions of the supply agreement was that the contract was so one-sided, some provisions might be unenforceable. This decision, and the cases it cited, deals a blow to that hope. Still, the decision is not universally applicable (it is a federal district court decision in another state) and Michigan dealers could still raise the same argument if necessary.

The judge dismissed every claim the dealers raised regarding the discount for cash program. He held that the dealers could not rely on an oral promise made regarding the program when the dealers' contracts expressly forbade such promises. In short, it is the express terms of the written contract

that will be enforced. Oral promises made before the contract was written, no matter how clear, and no matter how made, are not enforceable if they contradict the written agreement.

This looked like the end of the dealers' case regarding DFC. But the judge came up with a theory of his own. He noticed Amoco may have told one court one thing and this court another. The judge read papers submitted by Amoco in litigation challenging the state of Maryland's prohibition on discount for cash. There Amoco had told a court it would reduce the DTW as part of the DFC program. The judge seized on that representation. He noted it was quite different than the assertion Amoco was making to him. He then decided he would not immediately dismiss the dealers' suit regarding DFC/DTW discount. He invited additional briefs and facts. A decision on this issue will be made in the near future. It is possible the judge will decide against Amoco on this important issue. If so, Amoco will owe a lot of dealers a lot of money.

This interim decision teaches a very valuable lesson. Dealers may not rely on oral promises made them by their supplier prior to the making of a franchise. Every dealer knows territory representatives will often make numerous representations regarding various programs. And dealers historically rely



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on such promises as much as they rely on the written promises made. But dealer franchises usually say they are the complete agreement between dealer and supplier. Promises made before the contract was signed must be made a part of that contract when it is signed. Otherwise, reliance on oral promises is too often a fool's errand.

We will have to watch this case carefully. It may break some new ground regarding promises made by a supplier. But the primary message of the case is certainly clear enough. Dealers simply must know that, as the late Samuel Goldwyn said, "oral promises are not worth the paper they are printed on."

### Welcome new members

- Anthony Giglio, 15 Mile & Dodge Park Service, Inc., Sterling Heights. Anthony owns a Sunoco station with three repair bays, gas and a small c-store. After working as a mechanic for 10 years, he opened his own station three years ago. Anthony said it was the advice from other dealers that lead him to SSDA membership. He also said he is interested in the Blue Cross Blue Shield program.
- Ronald Somerville, Somerville Ent., Inc., Shelby Township. Ronald is an SSDA associate member who owns a car wash and auto detailing business. His business includes a tunnel
- wash system, and carpet and apholstery cleaning. In the Spring he hopes to add an instant oil change. Ronald said he used to be a member of the association and that's why he decided to join again to take advantage of the insurance programs. In addition, his father and his brother-in-law are members.
- Philip Sanborn, Mill Street Station, Clio. Philip has owned his unbranded station with a c-store since 1987. He got into the business because his dad was a wholesaler and actually owned Philip's station years ago. He said he enjoys the business although sometimes it's tough competing with

"the big guys." On the advice of his wholesaler, Philip joined SSDA to ensure he had a voice in Lansing. He also said he hopes to take advantage of SSDA's lower rates on health and workers' compensation insurance, as well as the low-rate Comerica program.

• Richard Bixman, Tire Discount House, Inc., Dearborn Heights. Rick is the owner of a tire and custom wheels shop that has been in business since 1959 (he's been there since 1973). He said he enjoys working with customers, especially those who enjoy investing in their cars through custom wheels. Rick said he joined SSDA

primarily for the workers' compensation program with yearly dividends. He also said he is looking into SSDA's health insurance program.

- Hassaim and Sami Choucair, 7's Middlebelt, Inc. in Livonia.
- Fred Brans, Somerville Ent., Inc. in Shelby Twp.

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