



2019-2020 FPFA Outlook

Initially we identified the top issues to work with Pirtek USA on.

Territory
Product costs
Fees
Exit Opportunities

The Territory issue has taken some time and looks close to being resolved at the Fall Summit in Indy next month.

Pirtek has been explicit on product and fees. Answer is No!

Where does that leave us?

Options

1. We are currently taking the negotiation approach to point out the obstruction of high prices to the growth of the system and our businesses. This process is not a quick fix option. Trying to convince someone to give up something that has been in place for a long time and is in the agreement we all signed is difficult. A consistent focus will be needed for some time. Whenever the opportunity comes to talk about the prices we pay, the question that needs to be asked consistently is something like "How are we supposed to pay that?" **How are we not why are we?** By asking how are we suppose to pay that? We shift the burden of finding a solution back to them. We have to agree that we did sign the agreement and it is a good niche business but how are we supposed to pay that for product?

2. Public pronouncement via f p f a website of the Pusa franchisor franchisee issues

3. Legal. We all want to avoid that option but we do feel we have a case on product cost reasonableness.

Board has discussed and we feel incumbent on us franchisees to create a profitability assessment for a PUSA franchise for both Tier 1 and Tier 2 operations.

A request could be made to members to share data on all costs to create a good model. Then utilize the data to negotiate with Pirtek USA on return on investment and profitability operating a Pirtek business.

So board recommends after the territory issue is resolved,
A profitability assessment and then use the results to go to the next level of profitability performance. Product prices and margin are significant parts of profitability.