



EZ Lube Aims to Get Over Stumbles, Back to Growth

By KARI HAMANAKA

There's nothing easy about the turnaround facing Costa Mesa-based **EZ Lube LLC**.

The quick oil change company is looking to start a new chapter under Chief Executive Guy Marsala, who arrived after a 2008 bankruptcy that left EZ Lube's corporate culture and customer service programs broken.

"What we're stressing in this relaunch are two things," Marsala said. "We're going to take great care of the customer, and we're going to take great care of the employees."

EZ Lube operates 74 stores throughout Southern California, with most concentrated in Orange County, Los Angeles and the Inland Empire.

It's privately owned by a group of investors led by New York-based **Goldman Sachs Specialty Lending Group LP** and

➔ *EZ Lube 70*

counted sales of \$75 million last year. Sales are projected to remain flat this year.

EZ Lube ranks No. 15 on a national list

of the largest quick oil change companies by Lubbock, Texas-based trade publication **National Oil & Lube News**.

Houston-based **Jiffy Lube International Inc.** dominates the market with more than 2,000 locations nationwide.

Changes

EZ Lube has invested \$3 million in store upgrades, training new hires and retraining other employees since Marsala took the helm last year.

Employee pay has increased for full- and part-time workers. A 401k program and other benefits have been added.

The changes reflect Marsala's belief that taking care of employees will translate into better customer service.

"I think as the company got into financial difficulty in 2008, training pretty much went out the window here," said Marsala, a West Point graduate who counts a prior stint with Santa Ana-based **Corinthian Colleges Inc.** among other executive jobs. "The training department was dismantled, and there was very little formalized training when I arrived here."

He sees the effort to improve employee morale and taking more care on new hires



as the way for **EZ Lube** to leave behind its troubled past.

At the end of 2008, the company filed for bankruptcy protection, citing the effects of the economic downturn, which led many drivers to put off oil changes.

Last August, the trustee of a fund representing EZ Lube creditors sued founders Mike Dobson and Rick Teasta.

The trustee accused the two, who founded EZ Lube in 1988, of designing a 2005 leveraged buyout for their own personal gain that ultimately left EZ Lube crippled with debt.

The two parties reached an undisclosed settlement last month.

The bankruptcy was just the latest pitfall for EZ Lube. The company was still under the cloud of a public relations nightmare that started with charges of consumer fraud at some EZ Lube stores.

The reports were aired by KNBC-TV in late 2003 and 2004.

The negative publicity, coupled with consumer complaints lodged against the company, triggered a California Bureau of Automotive Repair investigation in 2004.

EZ Lube was ordered to pay \$5 million to the state as part of a settlement.

"Internally, we have moved well beyond those years," Marsala said. "We are very focused on the present and the future and working hard to make sure that every customer who visits our stores receives friendly, professional and quick service."

Hangover Remains

The hangover of those woes remains with some customers, though, and the company is using lower prices to get a second chance in the competitive marketplace.

"Some customers may remember those old days, and it can be challenging to get them to give us a try again," Marsala said. "This is one reason why we provide our customers with great values, like our \$19.99 oil change so they can come in and experience the new EZ Lube at a low price."

After several years of laying low, the company's now on a marketing kick with a new advertising campaign—the first in several years—under Vice President of Marketing Warren Martin. He's former executive at Irvine-based **Taco Bell Corp.** who joined EZ Lube last September.

The campaign includes 20 billboards, bus

wraps, transit shelters, radio spots and print ads targeting the general market along with more specific groups such as Hispanics and women—two previously untapped segments for the company.

"I think all of our marketing up to this point has been generic across the spectrum," Marsala said. "On the one hand you can say our market is anyone who owns a car, so I can understand maybe the consumer base fed the strategy, but I think there's power in segmenting the market."

The company updated an old paid-membership program—now called EZrider—that rewards repeat customers over a 12-month period with roadside assistance, service discounts and other incentives.

EZ Lube has also dabbled in daily-deals marketing with promotions on Irvine-based **Local.com Corp.**'s Screamin' Daily Deals website and the Orange County Register's Deal of the Day site.

The company saw strong sales in January; they fell off in February when gas prices passed \$3.50 a gallon and some car owners again began putting off oil changes.

Marsala said sales bounced back starting in May thanks to the new advertising rather than any change in gas prices.

"We're making great progress, and I'm very pleased with where we are, but changing the culture at a company does not happen overnight," Marsala said. "There's still more work to be done here."

Active Approach

He's taken an active approach in teaching new hires. The company hosts daylong orientations for new employees on Mondays at its headquarters on Howard Way.

Marsala introduces himself and gives the new hires an overview of the company.

EZ Lube hosted its largest class of new hires—about 30—at an orientation held earlier this month, when Marsala talked about customer service.

"We have to count on store employees—even when they're tired, even when they're hot, even when they're dirty, even when the customer might be rude," Marsala said. "I can't do that. Warren in marketing can't do that."

Customers appear to be taking notice.

Since December, EZ Lube has maintained the highest rating on a self-administered customer satisfaction survey launched earlier this year. It also has an A+ rating from the Better Business Bureau.

“2011 is still our year of getting our legs and getting these 74 company-owned stores operating smoothly and consistently,” Marsala said. “By 2012, I think we could be opportunistic about trying to expand again.”

The company has been in discussions on possible acquisitions of some independent quick oil change businesses.

Marsala sees growth potential in parts of Southern California that EZ Lube has yet to fully penetrate. It doesn't have any presence in Ventura County and has seven stores in San Diego.

A move into fleet service is another possibility, Marsala said.

The challenge for the company is maintaining the momentum amid economic uncertainty and volatile oil prices.

The company's already looked to cut costs on everything from telephone bills and supplier agreements to lease renegotiations.

EZ Lube is small compared to its competitors, but Marsala said the company has an advantage because it owns all of its stores while many competitors have large numbers of franchises. Company ownership is a key to achieving consistency on customer service, he said.

“We're born and raised in Southern California, and part of our mantra is to try to become the In-N-Out Burger of the quick lube business—really stand for something special,” Marsala said. “We may not be the biggest, but we can move into that top tier in terms of customer experience and the type of environment we have for employees.” ■



Turnaround team: Todd Mann, customer service manager; Gina Rios, office manager; Guy Marsala, chief executive; Jose Herrera, director of purchasing