

3 STEPS TO GROW YOUR CARWASH BUSINESS

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I've always liked the expression "if everyone seems to be thinking alike, then no one is thinking." Whether you believe that global recovery is for real, or that we have a few more years to go – positioning your car wash business to grow over the coming year requires thought and planning. For nearly a decade, car washing has been dominated by the express-exterior wash format. Minimal labor, high volume, ease of management – what's not to like?

Being the co-owner of two such properties, both successful, built when financing was readily available, I'm the first to sing the praises of this wash format. But an express-exterior requires a distinct property that is fundamental to its success. Banks today don't seem to favor the knock down and rebuild, ground-up construction, or expensive land requirements for these washes. From what I've seen, banks want to loan less, prefer multiple profit centers, and are more receptive to reinventing existing washes without major construction. And by thinking differently, today's car wash investors are evolving the industry once again.

They are following a three-step model that includes exploring potential locations in their market, evaluating each opportunity, and executing in a way that leverages today's equipment capabilities and financing requirements to grow their business – let's take a look.

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by Anthony Analetto

President, SONNY'S CarWash Equipment

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The Side-Effects of the Express-Exterior Model

Express-exterior, with its free vacuums and low price points, has done more for the industry than bring people out of their driveway. Express-exterior has had a noticeable impact on other car wash formats. When an express-exterior tunnel, with free vacuums, entered a market, competing self-serves often had to work harder to maintain customers.

Also, the market for in-bay automatic reloads, once dominated by touch-free, has shifted to friction machines. Friction units consume less detergent, less utilities and they are capable of competing with the wash quality, speed and price points of an express-exterior tunnel. Some operators have even taken the friction in-bay format a step further. They have added tire brushes, tire-dressing machines, off-board dryers, and offer free vacuums in a model being called in-bay express. But it's not only car wash operators that have been impacted by express-exterior.

Equipment manufacturers fighting to win customers in the fast growing express-exterior market have spent a decade, aggressively looking at innovative new technologies and new wash methodologies to outdo one another. This effort has yielded equipment that operates with reduced labor while simultaneously delivering a cleaner, shinier car at higher chain speeds on a smaller footprint. Bottom line; today's equipment works better, wash materials are superior and computer controls are more accurate.

Today's car wash investor has greater flexibility to fit smaller tunnel washes which are able to accommodate high peak traffic, into existing bays on smaller properties – opening a world of possibilities for the business owner who is looking to grow.

Converting Bays to Tunnels

So what does all of this mean? First, the technology push of the last decade has increased tunnel performance to the point that a full tunnel, including online tire dressing and all extra services, can fit in a standard 35-foot bay. So what does all of this mean?

Second, banks are more willing to finance retrofit projects that do not require significant construction. Third, many markets have an inventory of self-serve and automatic bays that have sufficient traffic to generate much higher profits with a small footprint, high throughput tunnel. When you combine those three factors, it's easy to see why investors are finding success in our current economy by converting existing bays to tunnels.

Don't get me wrong. On the right property, with available financing, I believe the combination of multiple wash related services; e.g., in-bay automatics, self-serve, conveyors, and detailing on a single property, offers the greatest potential profit opportunities from a car wash. But the fact is you have to "make hay when the sun shines." That said – let's look at the steps to evaluating locations to convert to a mini-tunnel.

Finding the Diamonds in the Rough

Explore, evaluate, and execute. Before you start, first determine your investment objective, do the math, and make sure the numbers make sense. Now that financing is becoming available for these smaller projects, there are huge opportunities for mini-tunnels, but not on every property. You may be looking to convert an existing self-serve or automatic bay that you currently own.

There's a growing interest from tunnel operators to leverage their recognized brand by buying and converting bays to tunnels in underserved areas of their core market. New investors with the right background seem able to get financing for these types of conversion projects. Whatever your potential opportunity, here are a few considerations to help make the right decision.

STEP

1

Explore the market: Research all car washes located in the market – including your own if you’re considering investing in it. Search online. Check the magazines. Look at any and all car washes for sale. Map out every competitor and car wash for sale in at least a 5 mile radius. Note the wash type, pricing, services, and any strong features. Next, visit the local city hall and check all permits in process – verify if anybody else is about to open a wash in your selected market. Once you know the landscape, you can start making decisions.

Don’t view anything as impossible. Some operators have found success in leasing and converting in-bays at petroleum sites that underperformed due to neglectful maintenance, quality, pricing, or marketing.

STEP

2

Evaluate the potential: Even if you already own the bay, when considering a mini-tunnel retrofit, you must do a complete analysis of the investment potential. Once you have a list of several sites, including ones you may own, the evaluation process begins. The goal is to measure all known variables to select the most viable location.

Demographic tools can be a valuable aid to assess a location, but there is no perfect crystal ball. Check all retail anchors- review those who are there, who are coming, and who are leaving. Gauge if the market is growing, improving, or degrading. Visit the site at different times. What are the car counts for weekdays and weekends during different hours? Is it too congested? What is the best angle of visibility? Many of these factors will influence everything from your decision to buy a property, to where you locate your signs and landscaping.

Traffic counts are critically important. The rule of thumb is to look for a two-way car count between 25 and 45 thousand cars per day with local traffic often considered more valuable than commuter traffic. Expected capture rates vary based on market conditions, pricing, services, marketing, and competition.

Regional car wash associations and their members can be an excellent source for insight into capture rates you can expect to see. Prepare a pro-forma evaluation of a proposed location. Before valuating a wash you must know the demographic characteristics surrounding it. When doing this don't forget to consider daytime population. A large population of people employed in an area can dramatically affect your hours of operation, pricing, and required speed of service.

When evaluating a location, pay special attention to the ingress and egress from the street. What is the distance to the nearest traffic light? Can you exit in both directions? Can you enter from both sides? If not, is there a median cut with a legal U-turn? Check on all sign restrictions. Ultimately, you must guarantee that either the building or signage (ideally both) will be seen by passing cars. There's little sense retrofitting a bay to a mini-tunnel able to process 60 cars per hour if the potential wash volume doesn't justify the investment.

STEP



Execute your plan: Financing, although available, remains tight. Planning must be done with even greater detail than ever before to ensure you can finish the project without cutting corners. You must ensure that you'll have the capital to not only complete the renovation, but properly market the site with engaging signage, landscaping, and grand re-opening launch.

Research any potential surprises the retrofit may present. Is there a sufficient electric and water supply for the tunnel? Does the bay sit on top of reclaim tanks and if so, can the conveyor sit on top of them with minimal site work? You may decide to abandon a project based on these unforeseen expenses and fees. The point is to do your research before you invest money.

Summary

Like every idea, what started with a few self-serves, double in-bay automatics, and petroleum sites looking to increase throughput by converting bays has started to evolve and take on a life of its own. Some have found success by improving in-bay automatic throughput with faster machines and by supplementing performance with off-board drying, wheel cleaning, and/or tire dressing application.

More recently, mini-tunnel conversions have gained popularity with operators willing to invest in increased labor and management costs for a dramatic increase in throughput. Now we're seeing tunnel operators creating or strengthening regional brands by filling in underserved territories in their own markets with small mini-tunnels. Where will it end up, we'll have to wait and see, but there certainly is no shortage of operators thinking of new ways to grow their business.

Good luck and good washing!

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