<u>Is Car Washing Ancillary or a Must Do?</u>

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For those of you who monthly endure my car wash articles this one will be some of the same with a twist. Last year when ISS asked me to write about “ancillary” items for your industry I wrote about items you could add to your “self storage” that could produce additional revenue and be an added value for your customers. We talked about car washes, coin operated vendors, vacuum cleaners, air and water vending and a few others.

Over the past year many events have occurred that make it more important than ever to consider “ancillary” items. Consider for a moment the following, interest rates are up, gasoline is greater than $3, a cup of Starbucks is close to $4, a gallon of bottled water is near $10 and overall passenger miles are down. Hybrid vehicles are becoming common place, the first wave of “Baby Boomers” is retiring, the economy is a mess and in general there exists a lot of anxiety in the market place. So is this an opportunity or a disaster?

Years ago a wise old sage made this comment “in every seed of adversity there exists an equal or greater seed of opportunity”. With that in mind let’s explore what is happening in your market. If you are like most you are experiencing rising costs, reduced margins, lack of traffic, and general angst about tomorrow let’s recap where we are and where we are going..

By now I know all of you are aware of a great planning tool that uses SWOT analysis. Strength, Weaknesses, Opportunities and Threats is an exercise where you list on a “T” chart items that both you and your competitors have in each SWOT category. As you list them you will start to see areas that you can improve upon, basically areas where you can capitalize on your competitor’s soft spots, gain or maintain market share.

After doing your analysis you will wind up with a large number of items that could be considered initiatives or strategies. A word of caution unless you have endless resources and very deep pocket you will never execute well more than 8-10 annually. But assume you have boiled it down to your 8 goals and objectives for the year, given responsibility to those who will carry out the program, established measures of accountability and are moving forward.

You will note that amongst the list of dozens of opportunities are those that are clean up and those that are designed to provide a competitive advantage.

In the past several months I was invited to make a presentation to a group of business men and women on “Diversifying for Profit”. The reason for the topic is that this group felt that there existed a “silver bullet” that would cure their woes and make life simple and beautiful again. I gave great thought to this presentation, researched local conditions, and realized that in good faith I couldn't recommend a diversification plan. What I could do however is state if you want to simplify your life sell your business. There exists very few "silver bullets" and the only one I know who had them was "the Long Ranger"

The reality is until your business is running as a well oiled machine the last thing you should think about is diversifying. The goal and objective is simple, be profitable, put financial controls in place, understand margins. Manage the balance sheet, create wealth, have an exit plan and above all focus and never take your eye off the ball.

Now that little bit of wisdom is imparted and your business is running flawlessly what about adding profit centers to your property?

If you keep your eye on the balance sheet your largest investment/ asset is probably your ground. Most business owners don't think of the value of this asset until it is time to sell. I am going to suggest that ground is not a stationary asset, hopefully like your business it is growing in value. As such you need to continually evaluate this asset to see if you are growing the capitalized net income to support the appreciated value of the site? In many cases the revenue of the intended business doesn't keep track and the owner looks to other revenue sources.

The addition of a car wash to an existing business is definitely ancillary, not your core, business. So when you do your SWOT analysis and car washing comes to the top. How do you evaluate? Which do you choose? Why?

There are a couple of rules of thumb that will help you in evaluating your site. If your traffic count is in the 13,000 cars per day a "Self serve" or an in bay car wash should be considered. If your traffic count (24 hrs) is 25,000 an exterior tunnel will work and depending on lots of other factors if you traffic count is 38,000 cars per day or greater then you might want to consider a tunnel. These numbers are reported from a number of washes around the country and should not be construed as a guarantee of performance. But, they do give you an idea of how your site might match up! For illustrative purposes see the attached photos of tunnels, self serves and in bay automatics.

Looking at gross revenues the typical self serve (varies by region) does about $1500 per month per bay, an in bay normally will equal 4 or more bays of self serve (i.e. 4X1500 = $6000), and the grand daddy (ies) of car washing the full service and or exterior tunnel wash approximately 60,000 cars per year (+-) a year at an estimated average price of $18 and $8 respectively.

Choosing the right car wash for your current and or future needs requires far more conversation than this article and I therefore strongly suggest contacting and interviewing a number of car wash suppliers. Additionally as you move forward you might want to download an article published in ISS titled "25 Questions to ask your Car wash Supplier" This will act as an interview format to help you qualify your potential provider.

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