

SPECIAL REPORT

Investing in the Car Wash Industry: In-Bay Automatic



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I. Industry Overview

The basic types of commercial car washes are:

- Self- service
- In-bay or rollover automatic
- Conveyor exterior-only
- Conveyor full-service

Different types of washes can thrive at the same location. Consumers choose the type of car wash service they prefer and there is generally very little crossover business. There are many existing wash locations that offer two or even three of the various wash types at the same site.

A. Climactic Factors

Consumers use car washes throughout the year. In fact, winter is the best washing season in most areas of the United States. This is because vehicles require washing more frequently during the winter months. Other seasons are also profitable and monthly income usually doesn't vary more than 20% from the year-round average. California is an exception to the winter rule where summer is the best washing season.

B. Geographic Factors

Modern car washing is popular with consumers in all regions. Some areas have better income potential due to factors such as total amount of precipitation or lack of an adequate number of facilities to serve the population of a given area. Regardless, cars get dirty everywhere and people are looking for a safe quality wash.

II. In-Bay Automatic Car Washing

Automatic washing provides a convenient alternative to the consumer. The automatic wash takes less time and the task is performed by machinery and/or other personnel.

Automatics can be classified as either "friction" or "touch-free" systems. Friction equipment uses either plastic brushes or synthetic cloth strips to clean the vehicle, while touch-free systems employ detergents and high pressure water to remove dirt.

In-bay automatics are often used in conjunction with self-service bays, as well as with petroleum convenience store locations.

Why invest in an in-bay automatic system?

To make more money! The in-bay automatic provides an excellent means to produce additional income from approximately the same amount of space that is required for a self-service bay.

In-bay automatics provide a relatively fast wash (approximately 2.5 - 4.0 minutes per car, depending on the wash options selected). The productivity of an automatic bay can be much greater than that of six self-service bays during busy periods. (Self-service bays typically average 10 minutes/wash.)

In-bay automatics are increasingly being operated independently, but perform best when combined with another profit center.

- **Friction Rollovers**

Friction rollovers use plastic or foam brushes to essentially scrub the dirt off the car's surface. Friction units can be found in many oil company locations, as well as some independent car washes. These systems have a relatively low utility operating cost. They can be operated without an attendant, although it is not recommended due to the potential for vehicle damage. They also must be operated in a heated bay to prevent the buildup of ice on the brushes during sub-freezing temperatures.

- **Touch-Free Rollovers**

Touch-Free rollovers utilize water pressure and chemicals to wash the vehicles surface. In-bay automatic surveys taken by various car wash and petroleum trade magazines in recent years have shown a steady trend toward touch-free and away from friction. Motorists are demanding a high quality wash that does not pose a threat of damage to their automobiles. Higher vehicle costs, greater numbers of high-profile vans and sport utility vehicles, the growing number of odd-shaped vehicles, and the increased popularity of add-ons like roof racks all contribute to this trend.

Today's leading touch-free systems clean as well as, or better than, friction equipment. Consumers generally perceive touch-free systems to be a greater value and will pay more for this service than they will for a friction wash.

1. Site selection

There is an old saying in the car wash industry that there are three important factors in having a successful wash: location, location and location. While that statement may be an exaggeration, it is certainly true that location is the single most important factor. Even a well-built, well-equipped and well-managed wash will not reach its full income potential if the location is not right. There are many factors to consider when you are evaluating a property that you may now have or one that you are considering to purchase or lease.

If you are planning a combined self-service and automatic facility, the exposure of a higher traffic count is important in generating more automatic wash business. Your wash should be located near a dense residential area. Good commercial backups, such as shopping centers and fast food restaurants, can also help generate good traffic.

Recent studies show the primary customers for in-bay automatics are single-family homeowners between the ages of 30 and 49, earning between \$25,000 and \$40,000 annually. In-bay automatics are especially appealing to women and business people.

When evaluating existing automatic competition, it can be assumed that automatics located in gas stations will provide significant competition since most petroleum/convenience store locations offer a significant discount on the car wash with a gas purchase. Only a very small percentage offer a free wash with a fill-up, and most of those are friction machines.

However, a touch-free system can normally compete very well against a friction automatic, regardless of the pricing structure.

The conveyor automatic washes also offer competition for the in-bay automatics. However, touch-free in-bay automatics do have some advantages: they offer a quick, convenient wash to the consumer; top-of-the-line equipment provides a high quality wash; and they offer flexibility in the variety of vehicles they can safely wash.

Providing the existing automatics in a given trade area are all friction, a touch-free automatic can enjoy a competitive advantage. Many vehicle owners have experienced a broken antenna or mirror while going through a friction automatic. Others do not want any type of brush to hit their vehicles' surfaces because of a quality paint or clear coat finish. These vehicle owners are excellent prospects for in-bay touch-free automatic washing.

One automatic in-bay system can be supported by as few as 5,000 to 7,500 people within a 3-mile radius can support one automatic in-bay unit.

2. Friction automatic washing cycles

Typical wash cycles for rollover friction units include:

- Single wash (2-pass)
- Double wash (4-pass)
- Double wash, wax and wheel wash (4-pass)
- Double wash with wheel wash (4-pass)
- Double wash with wax, wheel wash and foaming conditioner (6-pass)

Because friction is used as the primary method of cleaning, very little soap is used. When detergent is used, its primary function is to provide lubrication for the brushes and suds for customer appeal. These units normally operate with cold, hard water.

While direct operating costs such as detergents and utilities tend to be lower than touch-free models, it is important to remember that other costs like damage claims paid to motorists and periodic brush replacements are unique to friction equipment. You should consider these in your cost projections.

3. Touch-free automatic washing cycles

Typical wash cycles for rollover touch-free units include:

- Single wash (2-pass)
- Double wash with rocker panel/wheel blaster (4-pass)
- Double wash with dry (6-pass with on-board dryer)
- Double wash with rocker panel/wheel blaster, under- carriage with rust inhibitor, clearcoat wax, dry (6-pass with on-board dryer)
- Double wash with the above, foaming conditioner and wheel wash (4-6 passes)

The undercarriage wash, if activated, is applied as the vehicle enters the wash bay. Clearcoat wax is applied during one of the rinse passes. Spot-free rinse can also be applied during the final rinse pass.

Touch-free automatics must operate with soft water. Hot water is required for pre-soak. The key to successful touch-free automatic washes is the application of a concentrated pre-soak solution to the surface of the vehicle. This application, at low pressure, is designed to soften road film which is then rinsed off by the high pressure rinse cycle. Optional spot-free rinse is then applied at low pressure.

The most effective method of high-pressure washing is through the use of "zero-degree" turbo wash nozzles, providing a highly concentrated spray pattern.

4. Dryers

Many rollover systems are available with dryers. There are two types of dryers: on-board and free-standing. On-board dryers provide controlled drying speeds and add slightly to the overall wash times—but operate in shorter bays. The free-standing dryers operate as the vehicle exits from the bay. A longer bay is required. Drying quality is good if the vehicle drives through slowly.

5. Point-of-sale teller machines

Also called bay-entry teller machines, these devices are placed at the entrance to the automatic wash bay on the driver's side, at window level. These devices give merchandising information about the various wash cycles (both visual and audible), take customers' money (\$1, \$5, \$10 and \$20 bills; tokenotes; tokens and credit cards), make change, and activate the automatic wash by authorizing the appropriate cycle. Many petroleum convenience stores also include the car wash as part of their pay-at-the-pump services. Increasingly, credit card and fleet card systems are available as well.

6. Automatic bay structure design

Recommended bay configuration is approximately the same for an automatic bay as for a self-service bay. The automatic bay, however, should be a few feet longer—and even longer for free-standing dryers. Rollover units usually use guide rails to keep the vehicles within the operating limits of the machinery.

Rollover friction units are usually self-contained and therefore do not require any equipment room. Most pressure automatics do require an equipment room for the pumping plant, water heater, and water softener. However, Mark VII's touch-free rollover systems incorporate the pumping plant, pre-soak heater and electronic controls on-board the wash gantry—eliminating the need for a separate equipment room. Mark VII's self-contained gantry design also contributes to lower operating and installation costs.

Manufacturer's specifications for utility rough-ins and concrete work must be strictly adhered to when building an automatic bay. A heated bay with automatic doors is generally required in freezing climates.

Although some systems can be operated in winter climates in an open bay using water weep as freeze protection, many operators install automatic doors and in-bay heating systems to protect their equipment and avoid build-up of ice and debris in the winter months.

7. In-bay automatic maintenance

There is certainly more maintenance required to operate an automatic when compared to the maintenance required for self-service. However, when the cost of maintaining an automatic is represented as a percentage of gross income, the cost is no greater than that of self-service. The design of equipment is a very important determining factor in automatic reliability.

8. Merchandising your in-bay automatic

Although very little advertising and promotion is required for self-service washes, automatics must have promotion. The most often used advertising includes some form of discount coupon for the automatic wash. Return coupons also are effective—coupons that are given to customers as they wash. In turn, they have a specified length of time before the discount expires, usually ten days.

A wash attendant can be helpful, but is not essential to successful automatic merchandising. He or she can explain the services to the prospective customer, show them how to use the bay entry teller machine and explain the various automatic cycles that are available.

9. Cost of investment

The cost of in-bay automatic buildings are on a par with self-service bays except in cases where free-standing dryers, requiring longer buildings, are involved. The cost of in-bay automatic equipment varies greatly according to the options selected, but you can estimate equipment costs to be: \$55,000 - \$110,000.

10. Industry Trends

Car wash industry surveys over the past several years indicate two distinct trends relating to in-bay automatic equipment. The first shows a steady increase in the number of self-service facilities operating at least one in-bay automatic. The second trend shows a steady increase in the percentage of automatics which are touch-free systems. Both categories have shown consistent growth over the last decade and appear to be continuing the trend.

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