

## **SPECIAL REPORT**

# **Investing in the Car Wash Industry: Tunnel Washing**



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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. Conveyor 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.

A conveyor can be used in conjunction with self-service bays or utilized at a full-service car wash location.

When examining the various types of vehicle wash facilities, the conveyor or "tunnel" washes certainly maintain the highest profile in the car wash industry. They are the original automated washes.

Conveyor automatic car washes can be friction, touch-free or a combination of the two (hybrid). The most common friction equipment uses synthetic cloth curtains or rotary strips. In addition, cloth normally comprises the friction segment of hybrid tunnels. Touch-free tunnels use high-pressure water, along with specially formulated solutions, to clean the vehicle.

In addition, tunnels are categorized as either exterior-only or full-service.

## **A. Exterior-Only Conveyor Washing**

While full-service tunnels are usually a minimum of 70 feet in length, exterior-only conveyors (mini-tunnels) typically run between 50 and 100 feet in length. These exterior-only washes are ideal for high volume locations where maximum throughput (volume) is important. They normally operate with the driver remaining in the vehicle.

Exterior-only tunnels are also designed to operate with a minimum of labor expense. Most operate with two to four attendants, while some operate totally unattended. As a general rule of thumb, attended conveyor systems can wash one car per hour for every foot of conveyor length within the wash space (conveyors are longer than the usable wash space to allow for leading of the vehicles). Therefore, a typical 50-foot tunnel can wash 50 cars per hour, compared to an in-bay automatic's capacity of approximately 15 cars per hour. However, the volume for unattended tunnels is normally 25-33% lower due to motorists taking additional time to read the instructions.

For unattended washes, the driver is responsible for properly positioning the vehicle on the conveyor. Therefore, easy to read and comprehend instruction signs; audio messages delivered through the bay entry teller machine; and a straight entrance to the conveyor without turns are important considerations when planning an unattended mini-tunnel.

### **1. Labor**

Most tunnel operators choose to have an entrance attendant greet the customer. The attendant's job is to sell the service, collect the customers' money, program the wash cycle, help guide the car into position, instruct the driver to shift into neutral and not to touch the brakes, and then to activate the conveyor. This can reduce customer error and increase throughput.

In some cases, this person or a second attendant may prep cars before they enter the wash. The purpose of prepping is to provide the highest quality wash possible. Special attention is normally given to surface areas with excessive dirt and mud, to the front of the car during bug season, and to the rear of the car (generally considered to be the most difficult to clean with automatic equipment).

Prepping can involve applications of special cleaning products to remove bugs and excessive brake dust, for example. Some operators include a high pressure wand to help in prepping particularly dirty vehicles. Operators who employ entrance attendants frequently provide commission incentives to those individuals for selling wash upgrades.

### **2. Management**

In many washes, the owner is a full-time employee of the wash and its manager. In some cases, the wash will have an assistant manager who also has the primary maintenance responsibility. If the owner is absent, a full-time professional manager will be required.

Management must oversee employee hiring and training; facility maintenance; wash quality; inventories of spare parts and cleaning products; bookkeeping; advertising and promotion; and the monitoring of competition. Most managers are compensated with a salary plus incentives based on sales.

### **3. Extra services**

Tunnel washes offer extra services such as undercarriage wash and rust inhibitor, tri-color foam protectant and sealer wax. These extra services are designed to provide additional income per vehicle. Many operators will only break even on basic wash sales and count heavily on the sale of extras to increase the average income per vehicle. These extra services are usually restricted to those that can be applied with the automated equipment so that labor costs can be kept as low as possible.

### **4. Advertising and promotion**

New residents are continually moving into a wash's trade area, while others are moving away. Therefore, it's important to promote exterior-only conveyor washes consistently throughout the year—not just when business needs a boost.

### **5. Operations and maintenance**

Conveyor washes require less maintenance than self-service or in-bay automatic washes. Preventive maintenance is extremely important to tunnel operations.

### **6. Site selection**

Because tunnels are built for high volume applications, their locations need to be better than those used for self-service and in-bay automatics. The sites should be located on major streets where the traffic count and visibility are high. Locations near major shopping centers and office parks are most desirable. A strong commercial area is a must. Traffic count is very important in locating tunnels. A traffic count of 15,000 cars per day or more is recommended, although other factors should be looked at as well. Since conveyor washes are an impulse buy, visibility and good traffic counts are essential to success. As a general rule of thumb, a good estimate for the correlation between traffic count and customers is 0.75-1.5% of the 24-hour traffic count under normal conditions.

### **7. Evaluating competition**

When evaluating competition for an exterior-only tunnel wash, you must look at both full-service facilities and gas stations offering car washes in the market area.

Gas stations almost always offer discounts on their car washes with gasoline fillups and this must be taken into consideration. Beyond that, any automatic car wash should clean vehicles quickly, thoroughly and safely. If your potential competitors are falling short in any of these areas, they are vulnerable.

Another important factor to consider is the type of wash—friction or touch-free—being used by the competition. A touch-free system can usually compete very successfully with washes utilizing either brush or synthetic cloth equipment.

## **8. Lot size**

A conveyor wash can be squeezed into as little as 10,000 sq. ft., although at least 15,000 sq. ft. or more is desirable. The smaller lot size cannot accommodate a very large number of waiting cars and does not allow much space for any other services. Larger lot sizes are needed if gasoline is offered.

## **9. Land cost**

Property cost should not exceed 9% of the wash's projected gross income, whether calculated as rent or amortized purchase. Example: If the monthly projected gross income is \$24,000, the land use cost should not exceed \$2,160 per month.

## **10. Vacuums**

If space allows, your exterior tunnel car wash should include several coin operated vacuum stations. These can be located on the entrance or exit side of the wash. There should be at least six vacuums. More vacuums are definitely desirable, if space allows.

## **11. Gasoline sales**

As mentioned previously, petroleum companies routinely offer discounts on their car washes with gasoline fill-ups. Numerous full-service tunnel washes also have gasoline, but rarely offer discounts on washes which are tied to gasoline sales. Should you decide to offer gasoline in an exterior-only car wash, this part of the operation should be treated as a separate profit center.

## **12. Building requirements**

The exterior-only tunnel building can be a relatively simple structure, typically measuring 20 ft. x 60 ft. In addition to the wash bay itself, it must include an equipment room, a storage area for chemicals, manager's office, employee area and restrooms.

In an exterior tunnel, the customers remain in their vehicles as they go through the wash. Therefore, the interior of the wash bay should be constructed of materials which are easily maintained for their appearance value.

Manufacturer's specifications for water holding tanks, conveyor pits, etc. must be strictly adhered to. Good lighting is also extremely important. In addition to detracting from the appearance and appeal, a dark wash bay can actually amplify fears some customers have about going through the tunnel. Skylights and high quality halogen lighting are important considerations in your design.

A kiosk is frequently used at the conveyor entrance to house the wash attendant/cashier.

### **13. Signage**

It's very important to have an attractive, highly visible promotional sign on the main street fronting the car wash. The entrance to the wash bay itself should also include a car wash menu sign which clearly shows the customer what services are available and the various costs for each.

It's essential that you have very legible operating instructions signage for unattended mini-tunnels. One sign should outline the use of the bay-entry teller machine and a second sign should clearly explain how to position the car on the conveyor. As mentioned previously, these can be combined with recorded messages delivered through the teller machine. Many exterior-only tunnels include additional lighted signs in the wash-bay itself which promote the various optional services available.

### **14. Additional services**

All exterior-only tunnels include blower drying as part of the basic wash. Optional services may include undercarriage wash, rust inhibitor application, a sealer wax or hot wax and tri-color foam cleaner/protectant. Many operators combine individual options to create "packages" which are sold to customers at a savings.

### **15. Cost of investment**

The cost of a new exterior tunnel will vary widely based on the size of the structure, the equipment package and the extent of site improvements such as landscaping and paving. A good rule of thumb is \$150 to \$200 per square foot for a completed facility (building only). This calculation does not include the land, any unusually high costs of site preparation or excessive permit and tap fees.

The above is an estimate and should be used for preliminary planning purposes only.

## ***B. Full-Service Conveyor Washing***

Full-service automatic washes provide their customers with a complete wash—inside and out. This type of wash is capable of washing 60 to 200+ cars per hour depending on the length of the conveyor, the capability of the wash machinery and, most important, the number of employees on duty.

### **1. Labor**

Labor is the key to full-service washing because the automated equipment can only wash the vehicle's exterior. Management usually consists of a general manager and at least one assistant manager. There must also be a full-time cashier, customer service sales person at the entrance and a lead person at the detail area on the exit side. The remainder of the crew carries out various hand cleaning functions.

Normally, the minimum crew required to open the wash is eight people. That number increases as the wash volume improves. On a peak day as many as thirty people may be required to wash 1,000 cars.

## 2. Management

In addition to all of the responsibilities of an exterior-only wash's manager, the full-service manager must make critical decisions concerning labor and crew scheduling. Because labor is a full-serve's greatest operating expense, it must be managed carefully. The manager must staff the wash based on the day of the week, time of day, weather conditions and weather forecasts. Example: It may be Saturday afternoon—the busiest time of the week—and the sun is shining, but rain is forecasted for Saturday night therefore the wash will not be as busy as usual.

Since many full-serves have inside retail sales such as automotive items, gifts and impulse merchandise, the manager must also be responsible for that inventory. The management must also carefully monitor quality control since substandard wash quality can quickly destroy a wash's business.

Full-service managers and assistant managers are usually compensated by salary plus a strong incentive program tied not only to gross revenue, but also operating profit.

## 3. Extra services

The same extra services that are offered by exterior tunnels are also offered by full-service washes. Full-serves can offer additional features because they have the labor force. Additional services typically include Armor All<sup>®</sup> protection packages, polish paste wax applications and interior fragrance dispensing. Many washes have complete automotive appearance detail centers.

As with exterior washes, employees at the point-of-sale are usually commissioned when they sell the extras.

## 4. Pricing

The following is an example of a typical full-service wash menu:

Regular Car Wash	\$ 7.95
Pick-ups and vans	\$ 8.95
Foam and wax	\$ 3.00
Undercarriage wash with rust inhibitor	\$ 3.00
Interior fragrance (4 choices of scent)	\$1.50
Vacuum Trunk	\$1.00
Wire or mag wheels	\$3.00

Armor All<sup>®</sup> Applications:

Tires only	\$3.00
All exterior	\$6.00
All interior	\$6.00
Complete vehicle	\$12.95

Additionally, many operators will offer discounts for prepaid wash ticket booklets and other special offers on historically slow days of the week.

## **5. Advertising and promotion**

Full-service guidelines correspond with those for exterior-only tunnel washes. The facility must be promoted consistently.

## **6. Operations**

The full-service customer is normally met at the wash's entrance by a service salesperson. This is normally at the entrance vacuum area or gas pumps, if the wash has gasoline sales.

After the customer's order has been taken, he or she leaves the car with the attendant and proceeds to the wash's waiting area. The vehicle is then vacuumed by the attendants and driven onto the wash conveyor. After the vehicle is washed by the machinery, it is then toweled, the interior windows are cleaned and all other interior surfaces are wiped clean. The vehicle is then picked up by the customer.

## **7. In-store merchandising**

While the customer's vehicle is being washed, the customer can be exposed to a variety of inside sales. The most common items are automotive related products and impulse merchandise. Specialty gift items, plants and flowers are especially appealing to women. Food items are becoming more popular at full-service washes. Shoe shines are also sometimes offered.

These inside sales opportunities have multiple roles: they directly increase the income of the wash, they help occupy the customers' time while they're waiting for their vehicles, and they provide an additional reason to visit a particular full-service facility.

## **8. Maintenance**

Maintenance procedures for full-service conveyor operations are the same as exterior-only tunnels. Additionally, the full-service management must keep all customer areas clean at all times.

## **9. Site selection**

Because these washes cost the most to develop and have the greatest income potential, they deserve only the very best locations. Approximately 50,000 people within the immediate vicinity are required to support one full-service wash. A full-service facility should be located on a major thoroughfare with high-traffic volume.

## **10. Evaluating competition**

Full-service means full-service. If existing full-service washes do not give "full-service," they are vulnerable to competition.

The outward appearance of existing washes—customer appeal—is also very important. If existing full-serves do not have an attractive appearance, they are certainly vulnerable. If the inside customer areas are dirty, they are vulnerable. If the employees have an “I don’t care about the customers” attitude, they are vulnerable.

The other major evaluation factor is whether the competition is friction or touch-free. A full-service brush-type car wash with high marks on all the criteria listed above may still be vulnerable to a well-run touch-free wash.

## **11. Lot size**

A full-service wash requires plenty of space. In addition to the actual structure, space must be allowed for "stacking" cars and detailing. Space is also required for employee parking. A minimum of 28,000 sq. ft. is recommended and a larger lot is desirable.

## **12. Land cost**

Property cost should not exceed 9% of the wash's projected monthly gross income, as expressed in rent or amortized purchase.

## **13. Building requirements**

The full-service wash building should be sleek, with special attention given to appearance—both inside and out. The structure should include the wash bay (tunnel), customer entry and walkway with viewing window, cashier counter, merchandising area, waiting lounge, restrooms (customer and employee), employee locker rooms and lunch room, equipment room and chemical storage, and manager's office. The full-service wash can also have a built-in vehicle appearance detail center.

All areas of the wash should be brightly lit. Lounge areas should be carpeted. Background music is also appealing.

Manufacturer's recommendations must be strictly adhered to and only proven operational designs should be included in your structure. Dimensions should be approximately 50-ft. x 120-ft.

## **14. Signage**

Full-service washes must have attractive signage inside and out. Outside business identification sign should be the very best. Directional signage should be simple and easy to follow.

Inside merchandising signs should be placed along the customer walkway window at the various points where the extra services are applied.

## **15. Cost of investment**

The cost of a new full-service car wash will, like the other types of washes, vary depending on size and location. It is more important with full-service than any other type of wash to include state-of-the-art equipment and to have a building design which is distinctive when compared to other washes in the area.

You can estimate the costs of the building and equipment to run between \$150 and \$200 per square foot.

The above cost estimate does not include land, nor does it include any unusually high costs of site preparation or excessive permit and tap fees.

The above are estimates and should only be used for preliminary planning purposes.

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