

# Car Wash Business Plan

## Soapy Rides Car Wash

### Executive Summary

Soapy Rides is a prominent hand car wash serving the East Meadow, Long Island, NY community. Soapy Rides will be run by Mark Deshpande, of the prominent Deshpande family. The Deshpande family has been serving the Long Island area with a car repair business and property development /management for over 30 years. Mark will be leveraging the incredible good will and brand recognition of the Deshpande family name to quickly gain market penetration.

#### The Business

Soapy Rides will be providing customers with three services: exterior car washing, interior cleaning, and detailing. Soapy Rides has no true competitors that are trying to offer a high quality service for a reasonable rate. Most are trying to compete on price alone. Soapy Rides' ability to provide a high quality service, both in regards to the actual washing as well as customer service is all based on their ability to find the best employees. Hiring the best employees is cost effective because it decreases HR costs associated with turnover and other employee costs. Hiring the best employees and making sure that they are well taken care of ensures that they in turn take care of the customers. Study after study proves that a happy employee is far more likely to provide the highest level of customer service compared to an employee who is not happy and feels that they are being taken advantage of.

#### The Customers

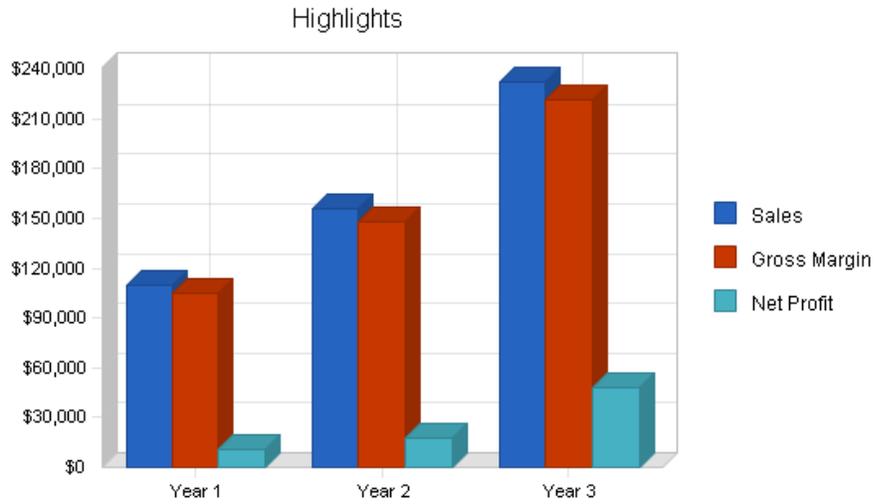
Soapy Rides will target three main groups of customers: individual car owner and leasers, car dealerships, and local businesses. The surrounding area is quite affluent, 40% of the residents earn over \$70,000 a year. Consequently, they have nice cars and want them to look nice. There are five different car dealerships within a three-mile radius which will require car washing services for the various fleets. Lastly, there are many different local businesses that have company cars and that require clean appearances.

#### Management

The strength of Mark's experience and his family's name equity and assistance is Soapy Rides' competitive edge as well as a significant asset. Mark has been involved in the family's car repair business for the last ten years. He has worked his way through the organization and has been the manager for the last five years overseeing operations of \$1.2 million annually. Before the family venture, Mark received his MBA from Cornell University. With 30 years invested in the community, the Deshpande family name has generated significant value as a fair, active member of the community. Lastly, Soapy Rides will be able to leverage several of the Deshpande's for their business expertise.

Soapy Rides is positioning itself as the premier hand car wash serving the Long Island area. Mark has forecasted a 20% market share. The business will generate a very high gross margin and a modest net margin after year one and comfortable margin after year three. By year three the business will have developed a respectable yearly net profit.

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## The Objectives

The objectives for Soapy Rides Car Wash and Detail Service are:

1. To be viewed as a premium car wash and detail service in East Meadow.
2. Maintain a very high gross profit margin.
3. Maintain a modest, steadily growing net profit margin.
4. Expand to two locations after third year of operation.

## Market Analysis Summary

The car wash will be based in East Meadow, New York. This area has a number of benefits in terms of the market that it will provide for the business. Over 40% of households in the immediate neighborhood earn over \$70,000 annually. Many people in the neighborhood own and/or lease new cars and place great value on their cars and how they look. There are a large number of car dealerships in the area--five within three miles of the proposed location for Soapy Rides.

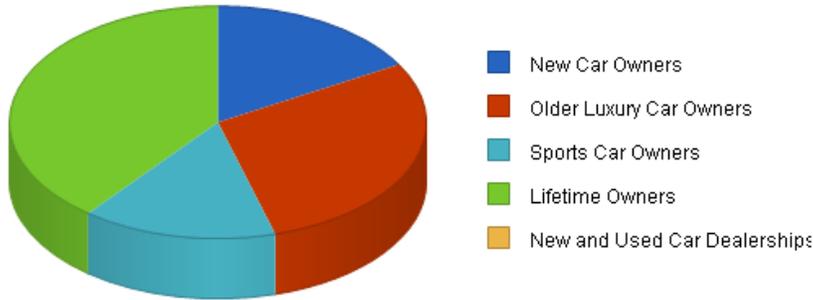
### Market Segmentation

Soapy Rides segments its customers by type of car ownership. We believe that the type of car that a person owns says volumes about their driving, and, therefore their car washing and detailing requirements.

1. **New car owners:** Owners of newer cars are most likely to use a hand car washing service. These owners take great pride in their cars and will bring them often to the wash and detail service. The goal with these customers is to promote regular use of the wash and detail service. The aim is to inform these customers that Soapy Rides will keep their car looking as good as it did the day they drove it off the lot.
2. **Older luxury car owners:** These people have either owned their high-end luxury cars for several years or are unable to afford the expense of a new luxury car but want the feel of relaxed driving. Both of these groups want to keep their cars in the best shape possible. Those who have bought second-hand cars will often spend many hours in their cars and will place high importance on keeping their cars looking good. These owners will bring their cars in for regular washes and occasional details.
3. **Sports car owners:** These people are often younger or middle-aged men and will regard the look of their car as important. They will also pride themselves on the look of their car and will have their car hand washed (at least) weekly. These drivers will have an occasional detail, but will keep their cars so clean the detail will not be necessary very often.
4. **Lifetime owners:** Many of these people have owned their cars for more than five or six years, and are more likely to be women. They are attached to their cars as friends and though it may be more sensible for them to purchase a new car, they will bring their car in for a wash occasionally, just when the car is dirty. They like their cars to look presentable, and want to keep it in good shape but are not tied up in the look of their car. For this reason, they will not have a detail carried out on their car unless they are selling it.
5. **Dealerships:** There are five new and used car dealerships within three miles of the proposed location of Soapy Rides. These dealerships often use outside car wash services to detail their vehicles before they are put up for sale. In addition, there are fifteen other car dealerships within a seven mile radius of Soapy Rides.
6. **Local businesses:** Some local businesses have fleets of cars and small vans that must be kept clean to maintain their company image. These businesses will be looking for a cost effective, efficient car washing service to perform this service, and will prefer to use a car wash service during the week rather than during weekends, like the general public.

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Market Analysis (Pie)



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### Market Analysis

|                              |               | Year 1        | Year 2        | Year 3        | Year 4        | Year 5        |               |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Potential Customers          | Growth        |               |               |               |               |               | CAGR          |
| New Car Owners               | 10%           | 7,200         | 7,920         | 8,712         | 9,583         | 10,541        | 10.00%        |
| Older Luxury Car Owners      | 15%           | 12,500        | 14,375        | 16,531        | 19,011        | 21,863        | 15.00%        |
| Sports Car Owners            | 15%           | 6,500         | 7,475         | 8,596         | 9,885         | 11,368        | 15.00%        |
| Lifetime Owners              | 10%           | 17,000        | 18,700        | 20,570        | 22,627        | 24,890        | 10.00%        |
| New and Used Car Dealerships | 7%            | 9             | 10            | 11            | 12            | 13            | 9.63%         |
| <b>Total</b>                 | <b>12.28%</b> | <b>43,209</b> | <b>48,480</b> | <b>54,420</b> | <b>61,118</b> | <b>68,675</b> | <b>12.28%</b> |

### Target Market Segment Strategy

The strategy behind Soapy Rides target segmentation is to attract customers who will be repeat users and will frequent the business in the typically quiet times for a car wash business. It will not be difficult to attract customers during the summer months and on the weekends, the weekdays however, especially in the winter, people will not think about having their cars washed. For this reason, Soapy Rides will target people who will tend not to be restricted to these busy times.

- Business owners (new car owners) tend to be very busy people, but are often able to make their own hours.

- Retired people (older luxury car owners) are not restricted by typical work schedules so will be able to frequent the car wash during the week.
- Dealerships will need cars detailed and washed regardless of the time of the day and week. This will supply a constant flow of traffic.
- Businesses will need their fleet cars washed during the week during regular business hours.

## **Service Business Analysis**

The hand car washing business in East Meadow consists of many small competitors. Everything from local children raising money for their youth group on a Saturday by cleaning cars, to the automatic car wash machines, are competition for Soapy Rides. However, these two alternatives aim to meet the needs of the price-conscious individuals who are choosing the service simply so they do not have to clean the car themselves. Soapy Rides on the other hand, targets the quality-conscious individuals who value their car enough to spend \$10-\$15 per week to make it look good.

## **Competition and Buying Patterns**

There is one other hand car wash shop in East Meadow. It is quite new and is trying to compete with automatic car washes by offering low prices. However, it is not targeting the customers who seek quality cleaning.

The customers who Soapy Rides is targeting have their cars washed based on the quality of the job. They do not mind spending a little more each week to have their car washed and waxed in order to keep the paint work in excellent shape. The businesses that Soapy Rides targets will be more cost conscious, so prices will be approximately 30% less for these customers to promote volume usage.

## **Competitive Edge**

Soapy Rides' competitive edge will be Mark Deshpande and the quality of the family name in the East Meadow area. As mentioned, the family has been in the car business for over 30 years, and has an excellent reputation and a myriad of both business and personal contacts. In addition, Mark has put a great deal of emphasis on creating a system that is both fast and efficient, which will keep costs, in terms of time spent per car, to a minimum.

We have identified a few of our key competitors:

1. Westbury Car Wash
2. Miami Car Wash
3. Big M Car Wash of Westbury
4. Creative Car Wash

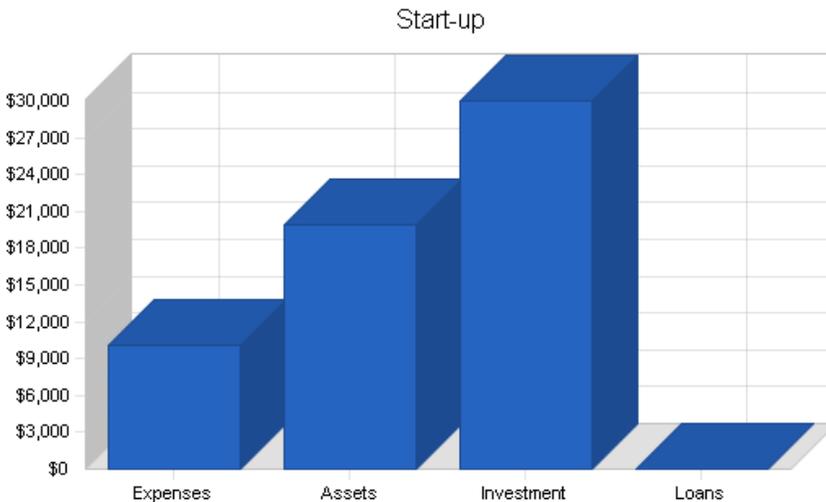
## Operations

The start-up expenses for Soapy Rides will be financed by Mark Deshpande, from the profits he made in selling his part of the family car repair business. The property on Hempstead Road will be leased in April 2001 for a minimum of three years, with the option to extend the lease for another three years after that.

Mark is working with the family lawyer to set up incorporation and to discuss lease issues before the business is launched. He is working with a local graphic designer to develop a logo, letterhead, and company brochures. Although Mark has been in the car repair business, he has not been in the wash and detailing business, which is a very different service (quick turnaround per car is incredibly important). For this reason he is working with an acquaintance to set up the system that will ensure efficient service even during peak usage.

Rent on the location has been negotiated and will be \$1,200 per month. In addition, insurance for the business will be approximately \$200 per month and will be paid by direct debit on a monthly basis. Expensed equipment includes three high-power water pumps, two industrial vacuum cleaners, two computer terminals, and one cash register. All of the equipment will be depreciated over three years.

The location was previously used as a quick stop automobile service shop, so it is set up to move vehicles quickly through the premises, but does not have all the necessary systems in place to host a car wash and detail facility. The services of a contracting company will be sought to convert the use of the facility and to improve the customer waiting room facilities.



## Funding Summary

Start-up Cash Requirements:

|                                  |                 |
|----------------------------------|-----------------|
| Equipment                        | \$14,100        |
| Building Materials               | 4,200           |
| Building Labor                   | 3,000           |
| Rent                             | 1,200           |
| Consultants                      | 1,000           |
| Signage                          | 700             |
| Legal                            | 500             |
| Brochures                        | 450             |
| Stationery                       | 400             |
| Research and Development         | 300             |
| Inventory                        | 250             |
| Insurance                        | 200             |
| Cash on hand                     | <u>3,700</u>    |
| Total Start-up Cash Requirements | <u>\$30,000</u> |

## Management Summary

Mark Deshpande is the sole owner and manager of Soapy Rides. In addition, he will be helped (on an unofficial basis) by his father, Barry Deshpande. Barry has over 30 years experience as an entrepreneur, both in the car business and in property development and management.

Mark will also have the assistance of John Shine, the family accountant, in creating a long-term strategic vision for the company. John is a family friend and has worked with the Deshpande family for 23 years. He has worked with hundreds of small- and medium-sized businesses during his career.

### Personnel Plan

Since car washing is a seasonal business, with business increasing in the warm summer months, and being busier on the weekends than during the week, Soapy Rides will rely on both temporary and part-time help. The company will hire one full-time car wash/detail specialist and one full-time car wash specialist when it opens for business. Although it will rely on temporary and part-time help, quality will not be compromised, since all washers and detailers will receive thorough training. The company will also hire an administrative assistant who will assist Mark with paperwork and act as a receptionist.

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### Personnel Plan

|               | Year 1   | Year 2   | Year 3    |
|---------------|----------|----------|-----------|
| Owner         | \$18,000 | \$30,000 | \$40,000  |
| Car Washers   | \$30,240 | \$43,312 | \$51,174  |
| Admin/Sales   | \$13,440 | \$15,000 | \$22,000  |
| Total People  | 2        | 3        | 4         |
| Total Payroll | \$61,680 | \$88,312 | \$113,174 |

# Financial Plan

The following plan outlines the financial development of Soapy Rides. The business will be initially financed by a personal investment by Mark Deshpande and will finance growth through cash flow. This will mean that the company will grow more slowly than it could, but it will ensure that Mark retains control over the direction of the company. In year three, it is hoped that the company will be able to open a second location. It is envisioned that an outside loan or equity funding will be sought at that time.

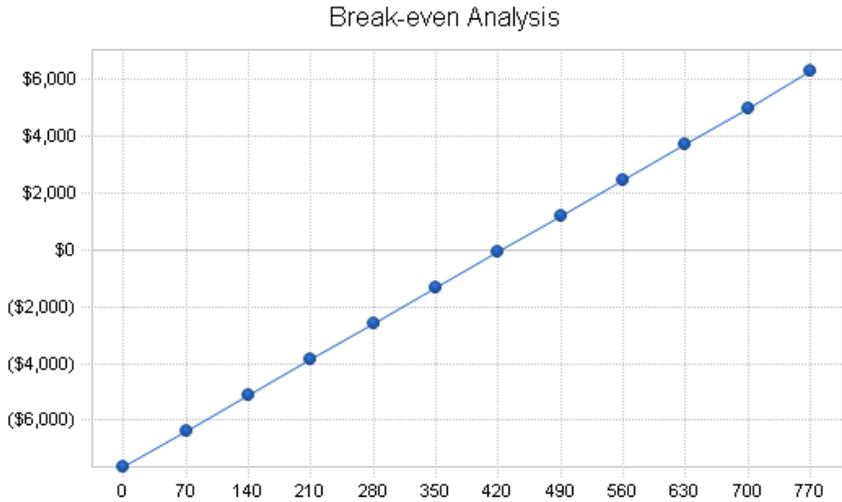
## Important Assumptions

The financial projections for Soapy Rides are based on the following assumptions. These assumptions are thought to be quite conservative, as are the financial forecasts.

## Break-even Analysis

The table and chart below show the monthly break-even analysis calculations for Soapy Rides.

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## Break-even Analysis

Monthly Units Break-even 423

Monthly Revenue Break-even \$7,974

Assumptions:

Average Per-Unit Revenue \$18.87

Average Per-Unit Variable Cost

\$0.79

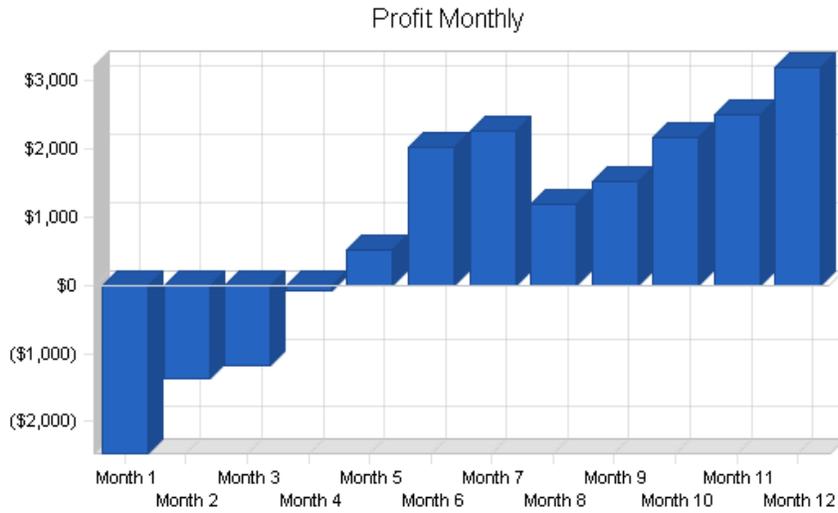
Estimated Monthly Fixed Cost

\$7,641

### Projected Profit and Loss

The following Profit and Loss table illustrates income and expenses monthly for the first year, and annually for the next two years.

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| Pro Forma Profit and Loss |  |  |           |           |           |
|---------------------------|--|--|-----------|-----------|-----------|
|                           |  |  | Year 1    | Year 2    | Year 3    |
| Sales                     |  |  | \$109,800 | \$155,339 | \$232,204 |
| Cost of Sales             |  |  | 45,677    | 61,134    | 75,015    |
| Gross Margin \$           |  |  | 64,123    | 94,205    | 157,189   |
| Gross Margin %            |  |  | 58.4%     | 60.6%     | 67.7%     |
| Expenses                  |  |  |           |           |           |
| Payroll                   |  |  | 39,300    | 56,250    | 77,500    |
| Sales and Marketing       |  |  | 2,600     | 1,550     | 1,700     |
| Depreciation              |  |  | 2,070     | 2,070     | 2,070     |
| Utilities                 |  |  | 3,325     | 3,500     | 3,750     |
| Insurance                 |  |  | 1,800     | 1,800     | 1,800     |
| Rent                      |  |  | 4,800     | 5,500     | 6,000     |
| Interest                  |  |  | 2,100     | 2,100     | 2,100     |
| Total Expenses            |  |  | 55,995    | 72,770    | 94,920    |
| Net Profit                |  |  | \$8,128   | \$21,435  | \$62,269  |
|                           |  |  |           |           |           |

## Projected Cash Flow

The following Cash Flow table illustrates that if Soapy Rides meets projected sales, it will have positive cash flow after half a year of operations.

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| Projected Cash Flow        |  | Year 1          | Year 2          | Year 3           |
|----------------------------|--|-----------------|-----------------|------------------|
| Cash Sales                 |  | \$109,800       | \$155,339       | \$232,204        |
| Cash Payments              |  |                 |                 |                  |
| Payroll                    |  | 77,100          | 110,390         | 141,468          |
| Other cash expenses        |  | 2,849           | 1,966           | 6,019            |
| Sales and Marketing        |  | 2,600           | 1,550           | 1,700            |
| Utilities                  |  | 3,325           | 3,500           | 3,750            |
| Insurance                  |  | 1,800           | 1,800           | 1,800            |
| Rent                       |  | 4,800           | 5,500           | 6,000            |
| Debt repayment             |  | 7,128           | 7,128           | 7,128            |
| <b>Total Cash Payments</b> |  | <b>99,602</b>   | <b>131,834</b>  | <b>167,865</b>   |
| <b>Net Cash Flow</b>       |  | <b>\$10,198</b> | <b>\$23,505</b> | <b>\$64,339</b>  |
| <b>Cash Balance</b>        |  | <b>\$13,898</b> | <b>\$37,403</b> | <b>\$101,742</b> |

### Projected Balance Sheet

Soapy Rides' balance sheet illustrates a healthy financial position for this new company. The monthly estimates are included in the appendix.

| Projected Balance Sheet      |  |  | Year 1   | Year 2   | Year 3    |
|------------------------------|--|--|----------|----------|-----------|
| Assets                       |  |  |          |          |           |
| Cash                         |  |  | \$13,898 | \$37,403 | \$101,742 |
| Accounts Receivable          |  |  | 3,373    | 4,772    | 7,133     |
| Inventory                    |  |  | 668      | 1,019    | 1,609     |
| Total Current Assets         |  |  | 17,939   | 43,194   | 110,484   |
| Fixed Assets                 |  |  | 21,300   | 21,300   | 21,300    |
| Accumulated depreciation     |  |  | (2,070)  | (4,140)  | (6,210)   |
| Net Fixed Assets             |  |  | 19,230   | 17,160   | 15,090    |
| Total Assets                 |  |  | 37,169   | 60,354   | 125,574   |
| Liabilities and Equity       |  |  |          |          |           |
| Accounts Payable             |  |  | 3,097    | 3,917    | 5,716     |
| Long term debt               |  |  | 24,807   | 19,239   | 13,268    |
| Total Liabilities            |  |  | 27,904   | 23,156   | 18,984    |
| Owner's Equity               |  |  | 9,265    | 37,198   | 106,590   |
| Total Liabilities and Equity |  |  | 37,169   | 60,354   | 125,574   |
|                              |  |  |          |          |           |

## Business Ratios

The following table contains important ratios for the car wash industry, as determined by the Standard Industry Classification (SIC) code, 7542.

| Ratio Analysis              |  |        |        |        |          |
|-----------------------------|--|--------|--------|--------|----------|
|                             |  | Year 1 | Year 2 | Year 3 | Standard |
| Sales Growth                |  | 0.0%   | 41.5%  | 49.5%  | 3.0%     |
| Current Ratio               |  | 5.8    | 11.0   | 19.3   | 1.5      |
| Quick Ratio                 |  | 5.6    | 10.8   | 19.1   | 0.9      |
| AR Collection Days          |  | 57     | 64     | 62     | 55       |
| AP Payment Days             |  | 27     | 27     | 25     | 29       |
| Debt to Net Worth           |  | 2.7    | 0.5    | 0.1    | 0.1      |
| Debt Service Coverage Ratio |  | 2.43   | 4.30   | 10.03  | 2.15     |
|                             |  |        |        |        |          |
|                             |  |        |        |        |          |