

Why Start A Car Wash Business?



You've probably never stopped to think about where your local car wash fits into the grand scheme of the car wash industry. The only thing you know is that when your car gets dirty you need to wash it, and the closest place to get that done is probably where you go. (But maybe not always. We'll see why this is true later on.)

Maybe you've spent some time considering opening a car wash business of your own while waiting in line for a wash on a bright and sunny Saturday morning. You've probably seen a dozen or more cars in queue, with each owner paying between \$5 and \$25 for a wash that they may not even be totally satisfied with. If you're like many entrepreneurs, you may have started doing some quick math in your head—projecting what the car wash owner is probably making in one month, then one year. Maybe

Stat Fact

Washing cars is a \$24 billion industry, according to the International Carwash Association.



you even thought “Boy, this place is a cash cow!”

Finally it’s your turn. As you watch your car move through the tunnel, you see how automated the process is, how quickly it gets done, how little actual work seems to be required. “How hard could this possibly be?

Anyone can make money running a car wash!” you might have thought.

Most car wash owners can share a wink and a smile at the naiveté of the average neophyte. Many people think a car wash is a great business opportunity because they see it as a business that doesn’t require a great deal of hands-on work but that still produces a great return on your investment. Beginners probably believe the income stream from a business such as this is as automated as the equipment that pulls your car through the wash tunnel.

The reality is a bit more complicated than that. It’s not exactly a mystery, but ask any car wash owner, and he will tell you the same thing—“It’s not as easy as it looks.”

WHAT A CAR WASH IS AND ISN’T

When most people think of a car wash, they tend to think of an exterior-conveyor wash. These are the washes that put cars on a motorized track and drag them through a tunnel where they are rinsed, soaped up, washed, rinsed again and possibly waxed. The cars then emerge clean (and perhaps even relatively dry) at the other end. But this is only one type of car wash. Other types of washes include:

▲ **Full-service:** This is basically a combination of the exterior conveyor with an inside cleaning (also known as detailing) added in.

▲ **In-bay automatic (also called a rollover):** This type of car wash is an automatic wash consisting of a machine that literally “rolls over” a stationary car parked in a washing bay.

▲ **Self-service:** Most self-service car washes are coin-operated brush-and-hose combinations that the driver uses to dispense soap, wash the car and rinse it off.

We’ll discuss in more detail what’s involved with each of these types of washes in a minute. But for now, let’s stick with the mental picture of the exterior-conveyor car wash as we learn more about the ins and outs of this business. The best place to start is by examining a few common misconceptions most people have about what a typical car wash business involves.

Myth #1: This Business Is A Cash Cow

Sure, if you drive by your local car wash on a sunny Saturday morning, you’ll see cars waiting in line for a wash. But drive by that same car wash on a rainy

Thursday afternoon, and you'll be lucky if you see one or two cars waiting. You might even see that the shop is closed for the day. Variables such as the time of the week as well as the weather affect how profitable car wash businesses can be on any given day, or for any given week, month or season. Sometimes, people are content to let their cars stay dirty for "one more day." Or, if the season is particularly wet, snowy or some other factor that would make people reluctant to pay good money for a car that's likely to be filthy again in a few days, months can pass where business is down—sometimes severely so.

Myth #2: This Is A Hands-Off Business

As an outsider, all you see are cars being dragged along a conveyor as a bunch of gizmos and do-dads spray, buff, rinse, wax and even dry them. You might not ever see a human being doing any work at all (though even most automatic conveyor washes do employ at least a few workers to complete the drying process by hand). In truth though, this is not a business that you can put on autopilot. For one thing, those gizmos and do-dads can and will break down. And, depending on the type of equipment you buy, they might break down much more than you think.

Cars emerge from those washing tunnels not clean enough to satisfy some customers or with a scratch that you didn't cause but that the customer blames you for anyway. Employees sometimes will not treat customers the way they should be treated, especially if you haven't trained them well. Shipments of supplies will be late, and someone (usually you) will have to be there to deal with it. After all, it's pretty much impossible to wash a car with no soap. The bottom line is that you'll be spending a lot of time at your car wash—at least until you learn the business well enough to be able to hire a professional manager who can take over when you're not there.

Stat Fact

According to recent data derived from a variety of industry sources, there are approximately 90,000 car washes in the United States.



Myth #3: You Won't Have Employees To Worry About

This might actually be true for certain types of car washes (most likely self-service and, to a lesser extent, in-bay automatic washes), but for a full-service or exterior-conveyor wash, you're going to have to hire employees and inherit the headaches and responsibilities that go along with them. In fact, aside from the initial investment in equipment and commercial space, employees will probably be one of the biggest costs you incur while running your business.

Myth #4: You're In Total Control

Well, you are your own boss, that's for sure. But until someone figures out how to control factors like the weather, you're still going to have to answer to a higher authority. No matter how much time you put into your business, there are still going to be things that go wrong—things you just can't control.

Even if you're a mechanical whiz, some of your equipment is going to break down. And if it happens at a peak washing time, like that glorious sunny Saturday morning we keep talking about, you're going to watch a lot of potential profit go down the drain.

You will have to suffer through days or maybe even weeks at a time (depending on where your business is located) when the weather is so bad that the furthest thing on anyone's mind is getting a car wash. And unfortunately, the bank won't care about the lousy weather when your loan payment comes due.

NOW FOR THE GOOD NEWS

By now, you're probably having one of two reactions. You're either: a) sorry that you bought this book because what you've just learned is sapping your enthusiasm for opening a business that you thought would be a breeze, or, b) you're thankful that you bought this book because you think it may have saved you from wasting your money opening a business that you thought would be a breeze.

But before you start looking elsewhere for that great business opportunity, consider this: Many people have made a lot of money washing cars. It's a service that is always in demand and that most consumers are certainly willing to pay for.

The point in telling you about the pitfalls first is to make you think clearly and critically about just what it is you're getting into when you open a car wash. Yes, there is the

opportunity to make lots of money and have fun doing it—but only if you put in the work required to make your business a success. The rest of this book will deal with how to do just that. Let's get started by examining the origins of the industry, where it is right now, and where it might be headed in the near future.

PAST, PRESENT AND FUTURE

"Just when I thought I understood the game, they changed the rules!"—Ben Alford of the International Carwash Association, State-of-the-Industry Address at the Car Care World Expo

Stat Fact

You're not alone: 37 percent of car wash operators have less than five years of experience in the business, according to a survey by Auto Laundry News.



Imagine sitting around a room and listening to a bunch of car wash vets waxing poetic about the good old days of the industry. If you eavesdropped on their conversation, you might hear them talking about the days when customers would come in for a full-service wash and think nothing of waiting an hour or more for the job to be completed. Or maybe they might talk about not having to compete with the latest dotcom startup or fast-food chain for motivated employees. But whatever the specific topic of conversation, chances are it would center around one thing—how the industry has changed, and how they’ve had to adapt in order to build and grow their businesses.

Consolidation

For a time, one of the biggest changes facing the industry was consolidation. Some companies apparently saw the same thing you did the last time you got your car washed, thought just as you did (“How hard could it be?”), and embarked on a car wash buying spree.

But this hasn’t exactly gone as planned for the companies involved. One of the first and biggest consolidators was Mace, the same folks who make the pepper spray and the only one of the big consolidators that’s a publicly traded company. So what happened to Mace when it started buying all these car washes? Its stock tumbled. According to Steve Gaudreau of CarWash College, a leading car wash industry training and consulting firm, this was due in large part to the fact that the company simply underestimated the complexities of running a car wash. They found out the hard way just how hard it can be. Let’s jump ahead to the end of the Mace experiment. The company is now in the process of selling most if not all of the washes it scooped up.

Today, the industry is what may be referred to as “highly fragmented,” with the 50 largest car wash chains controlling only around 15 percent of the market. This is good news for the small investor.

The Changing Attitudes Of Customers

People today have less and less time to spend on errands like getting their car washed. One of the main challenges of today’s car wash owner isn’t just providing customers with clean cars—it’s providing customers with clean cars in as short a time as possible. Another challenge is providing the best quality of wash possible. Customers today are better educated

Smart Tip

If you take longer than 18 minutes to wash someone’s car, chances are you won’t see them again. Not only do you have to provide a great wash, but you’re also going to have to do it quicker than ever before to succeed.



Fun Fact

The world's first car wash opened in 1914 in Detroit. It was called "The Automated Laundry."



about their options and demand more value for their money.

The Blurring Of Your Core Business

It used to be that only oil companies offered a car wash with a fill-up. And then, more often than not, the

wash would be free. Today, however, many car washes combine the services of a gas station and car wash, or they strike deals with neighboring filling stations for car wash discounts.

In the past, a customer would be lucky to get a free cup of coffee while waiting for his car to be washed. Today, the average car wash customer is likely to find a wide array of snack foods at his disposal in the car wash "gift shop." One owner even sells greeting cards and pocketbooks alongside the more traditional air fresheners and key chains in his gift shop.

What this points to is a trend toward offering customers multiple services all in one place—a one-stop shopping experience. This only makes sense, since the average customer is more pressed for time than ever before. The more you can combine the services they need, the more likely customers will be to pick your car wash over another.

According to a survey published in *Auto Laundry News*, almost half (46 percent) of car wash owners say that having a gas station nearby that offers a free wash with a gas purchase has hurt their business. While that's significant, the fact that the free wash doesn't take even more business away may be due to the fact that washing cars is a side business for these gas stations, and they tend not to do as good a job as a dedicated car wash. So while you may choose to offer multiple services to your customers to enhance your business, don't forget that your primary business is offering a quality car wash.

The Future

Let's face it, if the experts 50 years ago were right, we'd all be flying around in rocket cars by now. While no one can predict the future with accuracy, what we can say is that current trends certainly favor car wash owners. People are buying more expensive vehicles, and they're keeping them longer and want to maintain them in good condition.

And while we may see some dramatic design changes in cars over the coming years—it may soon be the case that we "charge" our cars at home rather than filling them up at the gas station—the business of the car wash owner doesn't seem at risk. No matter what happens, it is likely that as long as there are cars, there will always be a need for car washes.

With that said, you're about to enter an industry that is in flux. Some say that the time has never been better for newcomers. Others caution that until the industry "shakes out," committing the time and money required to make a new car wash successful is a risky proposition. Every entrepreneurial endeavor involves risk, and you will have to research your local market diligently and assess your chances for success.

YOUR ENTREPRENEURIAL SPIRIT

You will also need to evaluate whether a car wash is the right type of business for you. Will you enjoy the tasks that come along with it—fixing machinery, keeping supplies on hand, meeting and dealing with customers, resolving conflicts and crises? Take the "Self-Assessment Quiz" on page 1.9 to find out how well-suited you are to working in the car wash industry.

For starters, how energetic are you? If you're someone who falls asleep in front of the TV every night at 8 o'clock, you may not be able to put in the time and energy needed to make your business a success. If, on the other hand, you're a dynamo—someone who enjoys expending energy and isn't happy unless you're on the go—you'll have a better chance of being an entrepreneurial success.

How risk-tolerant are you? Starting any business involves a certain amount of risk-tolerance. You won't be getting a steady paycheck anymore, and it's likely that your income will vary widely from week to week and month to month. This isn't only true when you're starting a business—it will probably continue for months or even years. You're going to have your slow months, and you're going to have your hot months. How well can you weather the ebb and flow? If you can absorb the hits you're going to take when money is slow to come in, you're going to be able to stick around and enjoy it when business picks back up. In short, you shouldn't be someone who wants to throw in the towel at the first sign of trouble.

How self-motivated are you? Are you someone who stops trying to improve something when you feel that it's "good enough"? To be sure, there's something to be said for leaving well enough alone. But unless you're constantly striving to take steps to make your business even better, you run the risk of having your business become stale. No one would want the economy as a whole to just remain where it is right now and not grow, and it's the same thing with your car wash. If you make \$100,000 in your first year, are you the kind of person who's going to push yourself to make \$125,000 the next? Do you need someone to give you the motivation to do that, or can you find the motivation within yourself? After all, if you aren't concerned about growing your business, who will be?

THE CAR WASH THAT'S RIGHT FOR YOU

As mentioned earlier, there are really four distinct types of car washes that you might choose to operate. Gaudreau, of CarWash College, says that trying to offer

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general advice on starting and successfully running a car wash business is a bit like trying to tell someone how to start and run a successful restaurant. You can't really answer the question until you decide what type of restaurant (or, in this case, car wash) you're aiming for.

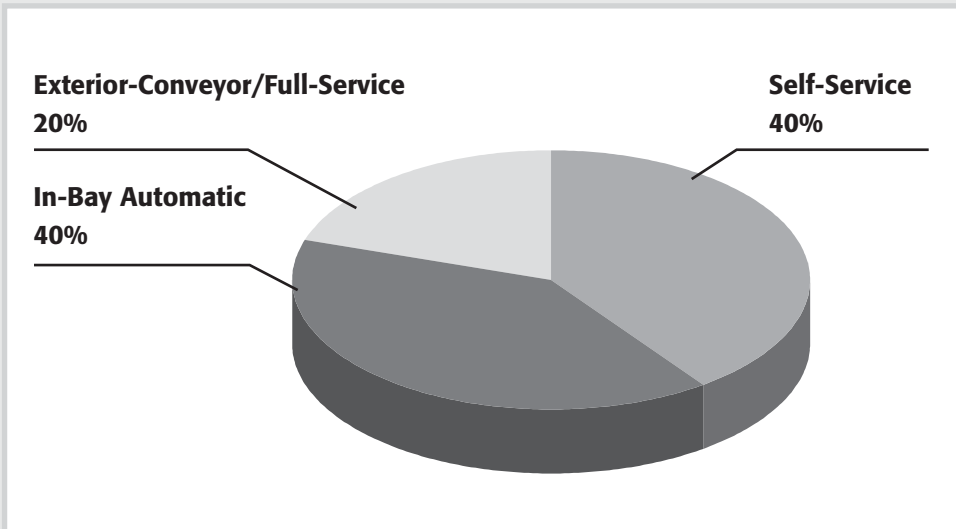
If you haven't done so already, now is the time to think about what type of car wash you want to own. Some of the factors to consider in making your decision include:

- ▲ The amount of capital you have at your disposal
- ▲ The amount of time you want to spend running the business
- ▲ The amount of money you're hoping to make

In general, the type of car wash that's going to require the biggest investment from you, both in terms of time and money, is a full-service wash. That's also the type that tends to generate the most revenue. But unless you have around \$1 million (or more) to invest upfront, it's probably not the best choice. Moving down the line, an exterior-conveyor car wash is the next highest in terms of startup costs, followed by an in-bay automatic car wash, and finally, a self-service car wash.

Each type of car wash has its advantages in terms of time and capital investment vs. profit potential. If your goal is simply to make extra money to supplement another income, consider sticking to a car wash with a few self-service bays—at least initially. If this new business is intended to be your life's pursuit and your primary income, you're probably going to need a full-service or exterior-

Types Of Car Washes In The United States



Self-Assessment Quiz

Do you have the type of personality to succeed in the car wash business? All the personality traits or preferences listed below would be helpful to a new car wash owner. While there's no score that either qualifies or disqualifies you for car wash ownership, if you check the "false" column frequently, you may want to reconsider whether you would enjoy this line of work.

Traits or Preferences	True	False
I like working with my hands.	<input type="checkbox"/>	<input type="checkbox"/>
I like meeting new people.	<input type="checkbox"/>	<input type="checkbox"/>
I have a tolerance for financial risk.	<input type="checkbox"/>	<input type="checkbox"/>
I enjoy learning about how mechanical things work.	<input type="checkbox"/>	<input type="checkbox"/>
I have a basic knowledge of business and can learn to keep accurate financial records.	<input type="checkbox"/>	<input type="checkbox"/>
I don't mind a fluctuating income from month to month.	<input type="checkbox"/>	<input type="checkbox"/>
Long hours at work don't bother me.	<input type="checkbox"/>	<input type="checkbox"/>
If something breaks around the house, I can usually figure out how to fix it.	<input type="checkbox"/>	<input type="checkbox"/>
Manual labor isn't a problem for me.	<input type="checkbox"/>	<input type="checkbox"/>
I can work on my own, without a boss to provide direction.	<input type="checkbox"/>	<input type="checkbox"/>

Which Car Wash Is Right For You?

Type of Wash	Startup Costs	Time Needed	Profit Potential	Required Knowledge
Full-service	High	Intensive	High	Mechanical and general business knowledge a must
Exterior-conveyor	High	Intensive	High	Mechanical and general conveyor (somewhat lower than full-service)
In-bay automatic	Medium	Medium	Medium	Mechanical, some automatic (significantly less basic knowledge of business than a full-service or exterior conveyor car wash)
Self-service	Low to medium	Low to medium	Low to medium	Mechanical, some basic knowledge of business practices

conveyor car wash to make that happen. Another factor affecting how much startup capital you'll need is whether you want to lease or buy an existing business, or start fresh by building a brand-new facility of your own. Take a look at the chart above to compare some of the tradeoffs involved in selecting what type of car wash to open.

HOW MUCH CAN YOU REALLY MAKE?

You wouldn't be getting into this business if you didn't think there was the opportunity to turn a healthy profit. But how much can you really expect to make? Because we're not discussing a one-size-fits-all business when we talk about a car wash, how much you can make is dependent on a number of factors. Ask

yourself the following questions to get a handle on what you can expect:

▲ **What type of car wash will you operate (exterior-conveyor, full-service, in-bay automatic or self-service)?**

In general, the more services you provide, the more money you're going to make. A full-service car wash, which frequently "upsells" customers, has a higher profit potential than a self-service car wash.

▲ **How much business will your location support?**

If your full-service car wash is in an area filled with high-income professionals driving European sports cars, it's probably going to do better than if it's located in a low-income neighborhood or an economically depressed town. Different areas will demand different types of car washes. While an affluent neighborhood may have a greater market for full-service car washes, a moderate- to low-income area might have greater market demand for in-bay automatic or self-service car washes. In short, you must match your services with the demands of the neighborhood in which you'll do business.

Beyond these basics, there are the factors that determine the success of any business—how successful you are at marketing and selling your services, keeping costs under control, hiring quality employees and so on. With that said, here are some general guidelines for the profit potential of the four types of car washes we've mentioned:

▲ **Full-service car wash:** \$500,000 to \$900,000 per year

▲ **Exterior-conveyor car wash:** \$125,000 to \$500,000 per year

▲ **In-bay automatic car wash (a "3 and 1" combination of self-service and in-bay automatic wash bays, discussed in Chapter 4):** \$75,000 to \$125,000 per year

▲ **Self-service car wash (assuming a four-bay, self-service facility):** \$55,000 to \$100,000 per year

Now that you know the basics of the car wash industry, it's time to move on to the nitty-gritty of running and building your business. In Chapter 2, we'll delve into the foundation of starting your car wash business—carefully researching your market.

Stat Fact

According to a recent survey by Auto Laundry News, the car wash industry is growing. Over half of car wash operators said that they washed more cars in the year surveyed than in the previous year.

