

WASH TRENDS

a national publication for savvy carwash owners and suppliers

Express Exterior Wash Tunnels

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Express wash tunnels with free self-vacuum, not only offer an inexpensive carwash to consumers, they have been described as the wave of the future. Of course, that outlook depends upon who is riding the wave. There has been a huge ripple of success for many vocal express wash tunnel endorsers. For others, using different business models, it's been a tsunami that swamped the competition. For still other carwash operators, who thought they had a surefire product to offer, it's a tide that ran out and left them high and dry.

One of the first express wash tunnels with automated gated entry, unattended kiosks (automated teller) and free self vacuum, found success when Ben Alford, former ICA president and owner of five Benny's carwashes in Louisiana, teamed up with Paul Fazio of Sonny's, a carwash manufacturer in Tamarac, Florida.

Consumers responded to the basic, no frills price of \$3 for the exterior express tunnel wash and free vacuum. Of course, that low price can go higher. Add-ons like wax and finishes can quickly bring the price up to \$10. Benny's hasn't abandoned a full service wash or the dozens of labor-intensive services, either. The express tunnels are in three locations, but two more Benny's locations offer full service car washing, interior surface cleaning and shampooing, hand-waxing and drying, and more. Costs begin at \$19.49 and move up to \$199 for "The Big D."

Origin of the Phenomena

Ben Alford, also caters to a range of carwash preferences. He takes care of customers-in-a-hurry, customers at the high end and even those in the middle.

Another express wash enthusiast is Jimmy Branch, owner of Speedy Inc. in Panama City, Florida. He owns three express wash conveyor operations. "I've had quick lubes, detail shops, paint undercoating, oil change, self-serve. Now, all I own are the express washes. One location was opened in 1954 by my dad when I was just two years old."

According to Jimmy, "What makes express wash tunnels function is the

development of automated cashiers, the fact that ATMs and pay-and-pump operations were made acceptable to the public, and now the addition of internet credit card processing, which occurs within 1 to 3 seconds instead of the old way that took 20 to 30 seconds via modem dial up. Otherwise this low-cost, high-volume concept wouldn't work. One of my locations used to charge an average of \$4.50 cash per car. Now that on-line processing has developed, we charge an average of \$6.50 on credit cards. The tire shining equipment enables the system to be profitable. It's an add-on that's made the system feasible. We apply Tire Armor All."

Jimmy's descriptions of several types of carwash services are as follows:

Exterior conveyerized carwashing: the original format of express tunnel carwashes developed decades ago. You could sit in the car and an employee would use a logging chain to hook your car to the moving conveyor. Customers could feel the car jerk forward as it was pulled into the tunnel. The car was usually hand-dried just outside the end of the tunnel;

Full-service carwashing: the customer has to exit the car. An employee climbs into the car to clean, dust, shampoo, vacuum and detail the interior;

Self-service: developed from the coin laundry industry. Some carwash owners were part of the Coin Laundry Association until the late 1950s; In-bay automatics: touchless friction washes in short bays. A customer pays either a human or automated cashier and then pulls into the bay. Moments later the car is surrounded by wash equipment.

He emphasized express wash tunnels are a form of exterior conveyerized washing with some updates. They offer "some form of free or discount self-vacuums, they usually utilize electronic kiosks, and they are below market price for service."

"Marcus Kittrell, from Marc 1 Carwash in Birmingham, was the second one to install the newer express wash tunnel. I was 5th or 10th," Mr. Branch chuckled. "Ten years ago, if you told me we'd be washing cars for \$3, I'd say you were crazy!" He pointed out the \$3 price doesn't apply everywhere. "Down in the Southeast, the express wash tunnels are as low as \$3 to \$5. They're going for volume. Most in the Northeast are \$8 to \$10."

"Before that, the hottest element was the in-bay automatic. The industry boomed 10 to 15 years ago because of profit margins and ease of installation. In the Southeast, it brought back the conveyor industry again. But outwash automatics and in-bay touchless washes consume a lot of chemicals and water. That wasn't an issue before people began to wonder where all that stuff would wind up-and before municipalities began to charge for water."

He stated, the express conveyor can wash a lot of cars very efficiently compared to in-bay automatics. Water, chemicals and labor costs are all lower. He said: "Touchless automatics can consume 50 to 60 gallons of water per 3-minute wash. A "driveway" do-it-yourself- at-home carwasher takes 20 minutes to satisfactorily clean a vehicle and puts 240 gallons of water into the waste stream. Self-service washes, using high-pressure, low-volume guns, will use 5 to 15 gallons of water. A

tunnel, he said, if it has recycling equipment will still use 50 to 60 gallons of water, but 75% of it is recycled, using less than 8 to 15 gallons of fresh water.

Mr. Branch said chemical costs per wash for a touchless in-bay automatic ranged about \$0.60 to \$0.70 per wash, versus \$0.20 to \$0.50 per car for the express wash tunnel-"depending upon the operator." The throughput-the length of time it takes for a car to traverse the tunnel-is 5 or 6 cars simultaneously on a conveyor for the express wash. He estimates one car per hour per foot of conveyor, meaning in a 100-foot tunnel, about 100 cars per hour. In contrast, the shorter in-bay automatics can handle 5 to 15 cars per hour.

"Tunnels take a certain shape land," he explained. "You need 35 feet at each end for turning, plus a few more feet for setbacks. Then you've got a 100-foot tunnel. In-bay automatics need only 130 feet in length and as little as 70 feet in width. Some of these express tunnels are 160 feet or more in length, one is 60. The average length is 100 feet. The efficiency ratio is a 4 to 7 foot gap between cars. One friend's wash has a throughput of 150 to 200 cars an hour. They're smokin'! We max out at 50 cars an hour at our three locations."

Mr. Branch has learned that multiple bays don't cost much more to build than a single bay. Most operations average \$2 million to build, with investment costs divided among equipment and computers, construction and property. In the midst of considering the pros and cons, he paused. "No wash is good in a low traffic area."

"The market for express wash tunnels is becoming saturated in the Southeast. The Southeast region dominates the prototype. Any market is saturated that has more conveyors than one per 50,000 population," he said. "Despite the enthusiasm for express wash tunnels, there is still plenty of room for hand detail operations. The speed and price appeal increases penetration of the market. Express tunnels are getting people off the driveway because of the price. The International Carwash Association has done three consumer trend surveys over the years. There's less and less driveway car washing out there. "Customers tell me they can't wash their cars as cheaply in their driveway as I can -and I just raised my price to \$4."

"There is a downside. The perception of investors is that express wash tunnels are bulletproof. There is over-saturation in some markets. Where land prices have increased, operators have to offer other services. We're still on a learning curve with the computerized systems. You need an IT guy on hand to troubleshoot. New and current operators have to expect to add more services. Rain-X™, machine applied, is a revenue generator."

Though he is seeing fewer SUVs per family, as the cost of labor increases and the size of a vehicle raises the cost of cleaning, as operators raise their prices, it will lower volume. Eventually, flexible service, he says, may be the way to go.

Marcus Kittrell, of Marc-1 Car Wash in Birmingham, Alabama, had three locations offering \$3 washes when he jumped in early with the concept

and went to a \$5 base price after two years. "It's a fickle business," he said. "Everything depends on location, location, location!"

"It's impacting everyone down here. It's steamrolling every other type of facility," claimed Dave Percy, Car Wash Marcus Kittrell, owner of Marc-1 Car Wash spoke to a packed house during the MCA's November meeting.

He describes his company as "primarily a distributor of carwashes and equipment. We're building our own facility, an express exterior wash, for an additional revenue source and to show to prospective clients. We're a one-stop site, handling land acquisition, site layouts, development of in-house auto cads and drawings for equipment, installation and after-market support."

"The express exterior wash tunnel phenomenon is alive, here to stay, and will drive the market for the foreseeable future. We're finding, as a distributor, all sorts of possible sites where the cost of land is fair and labor is available. Investors are looking for low-labor and high-return and this model fits it." He pointed out, "Right now, in the Orlando market, an acre on a main thoroughfare is \$800,000 to \$1 million. That eliminates the self-serve automatic: the building, land and equipment package doesn't work. In smaller markets and gas stations, carwashes will continue with the self-service in-bay automatics for the next 5 to 10 years down here. But, on a high-volume road and high-visit location, the express wash tunnel is the preferred type of parcel. "Someone who builds one of these can own the town," stated Mr. Percy. "But, it needs to be by a large, major thoroughfare and mature area, with a built-in trade area or in a small, emerging trade area where the market will develop out over 2 or 3 years."

It's a Hot Topic

"This is a very hot topic," said Ralph Nasca, of Pro-Tech Service Company, located in the Dallas-Ft. Worth-Lewisville trading triangle of Texas. "It is not going away. It is viable, profitable and successful. But, it's gotta be done right."

Mr. Nasca's company is a distributor for Belanger Inc. equipment and for other suppliers, as well. "The exterior express wash is doing exceptionally well. There are exterior, conveyORIZED tunnels all over the U.S., but technology made this particular model available in just the last three years or so. You couldn't do it until the unmanned-paid kiosk was put into the carwash system."

Like others, he pointed out the high speed internet clearing of credit card payments made the unmanned, \$3, free vacuum conveyORIZED carwash tunnel possible.

In his area, there are 8 express exterior wash tunnels and "another 12 on the drawing board." His company has built six. It's working on its 7th and six more are under contract.

"We've been doing a lot of work and research on this. We do it right."

This business model is based on volume. My opinion is you need to build BIG. This is the Wal-Mart of car washing. Southwest Airlines versus the other airlines. Volume-based. You won't see a Wal-Mart in a 5,000 square foot storefront because it won't work! Bigger is better."

He is not an iconoclast on tunnel length. "The size can range from 150 to 200 feet of conveyor. The car will go through in less than two minutes."

"We did some research. WHY is this being embraced by the public? I looked at it when it first came up and said, 'That'll NEVER work.' But, one thing always holds true: Volume cures all evils. If you get enough volume, you don't need a ticket average."

He polled the customers at one express wash on two Saturdays four months apart. He asked if it was their first visit. If the answer was yes, he asked: "What does this deliver that you find valuable?" The answer, over and over again, was: "Time. It was quick." It was the No. 1 reason they frequented the carwash.

"It made a lot of sense," he mused.

In his first survey, 40% of the customers had always washed their cars in their driveways by themselves.

"I finally found out what it takes to get people out of their driveway. This type of car washing expanded the market."

No matter where you are, he noted, "this is waving across the country. It's a good thing for professional car washers. If we can get people out of the driveway and into the car washing market, it's a way of exposing people to all the options of professional car washing. It's the opportunity to trade a percentage of the total customers up to full-service car washing.

"People who know how to wash cars won't be threatened by express wash tunnels. It will be a positive for this industry," said Mr. Nasca.

He is aware this type of wash has some negatives. "Coin-operated self serve washes will and are being hurt, especially in large metropolitan areas. They won't die out but they'll be pushed out further in to rural areas where the population density won't justify the volume of big, \$3 exterior carwashes."

Mr. Nasca compares inexpensive exterior carwashes to movies on Beta. "We're on the cusp of the same thing. When Beta came out, people said the movie industry would die. But, people bought and enjoyed Beta AND went to movies in greater numbers."

The real shakeout, he contends is not at the \$3 express wash tunnels-which he calls the Wal-Mart end. Nor, at the Neiman-Marcus end-with the high priced hand-detailing. "At those two spectrums, that's where the majority of money is spent. Sears is the middle. The \$3 guys are going to make a lot of money. The good, well-run flex-service that

offers detailing and quick lubes, they'll make a lot of money, too. If you are a wash in the middle and a Wal-Mart or Neiman-Marcus wash comes around you, you're going to have a hard time competing."

Ron Holub, of Townco Equipment, has been in the business for 30 years. Townco is an equipment distributor. He's aware of over 40 of the exterior express wash tunnels and their effect on the market.

Bursting the Bubble

There are many benefits, but there's also a down side that potential new owners of tunnels need to consider. He says, "There are so many factors involved. It's expensive to put in. In the wrong location, they'll die. You need a lot of traffic in a metropolitan area. You need volume to survive. It also depends how pricing is set up."

He suggested: "I wouldn't build a new wash close to an express wash tunnel, but an older wash with an established clientele might survive if an express wash is built nearby."

Though much of the equipment is made by a competitor, he stated: "I take my car there. I wouldn't hesitate. They do a good job."

Andy Pazz's main business is Laguna Ltd., which builds and resells reclaim equipment that helps the operator eliminate the need to pump out the reclaim pits or vaults every season. Based in the Northwest, he's written a book about how to go about building an Express Tunnel Carwash. Industry veteran Chuck Sasse is currently the director of investor and tunnel carwashes for D-S Car Wash in Lynnwood, Washington.

They both agree that no matter where the successful Express Exterior concept is found, there are certain platforms that can detract from the bottom line profits. Operators who feel they have to give certain services away to attract customers are selling themselves short by offering \$3 carwashes and free vacuums. They are confident the most financially successful operators in the country are those that offer a quality wash and superior employees, at reasonable but not give-away prices. Operators should remember the cardinal rule: "People buy people, people don't buy things."

In the Portland, Oregon, marketplace, there are over 135 exterior tunnels with few, if any, that offer a \$3 carwash. And, few, if any offering free vacuuming. One operator, Kaady Car Wash, operates fifteen Express Tunnels in the Portland Metro area. On average, he washes twice the volume of cars in each of his locations than do the other 120 (or more) area carwash operators.

His secret is simple: his employees are better trained. They wear shirts and ties. They're clean cut: no long hair or tattoos. Their employees treat the customer like he/she is the most important person on the lot.

In sum, the benefits of having well groomed, well-trained, and pleasant personnel who interact face-to-face with a customer and handle the

cash or credit transactions, instead of a machine, are the best tools you can employ to ensure your success.

Do Your Research

Bob Kopko, Sales Manager for the Southern U.S., the Akron, Ohio-based DRB Systems, is proud of the unattended kiosk product he offers, which he considers superior. "We make the product for self-exterior, self-pay units. It allows the customer to select the wash they want and ride through.

"As the leading provider of computer products to conveyor carwashes for over 23 years, DRB Systems has been a part of many industry trends," he said. "The low-priced 'express exterior' carwash featuring free vacuums is a new and important development. This business model has been used successfully in both small and large markets. It is a low cost, lower revenue per car model, that usually requires a high car count to be successful."

"The \$3 wash is rapidly going away. Even with 120,000 or more cars a year, that's not a whole lot of gross revenue. Now, most are going to \$5, but the free vacuuming definitely brings people on the lot," Mr. Kopko said.

He's heard the industry buzz that "paying a machine is the be-all. The first guy used a self-payment device, not ours, and it did start the fire. But, I have clients with \$3 attended washes and free vacuuming and they're doing wonderfully."

Mr. Kopko has also observed wrinkles in the express wash tunnel sensation.

At one flex-service, customers pay first then ride through the tunnel. At the end, they can either leave the lot or move to a way station and wait for interior cleaning. It's not the "pure" model, but it works.

In another town, the minimum wage was raised. A client of his who ran a traditional full-service operation felt the increased cost of labor would make a major dent in his bottom line. The operator installed an express wash model. The business' customers revolted and refused to patronize the business in the numbers they had previously. Chastened, the owner returned to the full-service business.

"The public in that town wanted a full-service wash," he observed.

"Full-service is not dead. Some customers still want the inside and outside cleaned, though not necessarily detailed. Lots of carwashes are successful with older models. They work just fine.

Nationwide, carwash owners are implementing the "express exterior" model in various ways. One of DRB's most successful clients offers a low price with free vacuums, but the consumer pays a greeter, who carries a

portable payment terminal. Another multi-site operator has the consumer pay the automated payment terminals. Still others offer a "mixed pay" format, where the consumer can choose to speak with an attendant, or use a payment terminal.

DRB has seen a shift toward combining current popular business models that have some things in common: These washes feature a value price, simplified menu of services, more efficient labor configuration, and require the consumer to pay first. "Comparing 2007 to past years, clients with these kinds of facilities make up a larger percentage of our business than ever before," he stated.

"Any model that works on price, like an \$0.89 hamburger, better be selling a lot of them. You still have all the costs associated with a flex-service: insurance, labor, water, land, building notes and construction."

He cautioned common sense and the value of doing quality market research: "Before you build a carwash, you've got to look at your market and build what the market wants."