



Car Washing – What's In Our Future

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- ▶ **Industry Overview**
 - Five year outlook
- ▶ **Client Types**
 - Historic/ Current / Future
- ▶ **Challenges with New Vehicles**

Car Washing – What's In Our Future

- ▶ **Industry Overview**
 - Consumers
 - Industry

Consumer Trends and Growth

What is driving the growth in the washing market on the consumer side?

- ▶ Automated car washing offers the **speed and convenience** increasingly demanded by US consumers*
 - US consumers consider products and services that save time to be important
 - The proportion of US consumers washing their car at home is in decline
- ▶ Increases in car wash use** – over **19.2%** more consumers use a professional car wash in 2014 than 1996

Consumer Trends and Growth

- ▶ ICA research data shows a decline in home washing in the past 18 years
- ▶ Trend continues to move from “Do-it-Yourself” to “Do-it-for-Me”
- ▶ Home washing as an overall percentage:
 - 1996: 47.6%
 - 1999: 44.5%
 - 2002: 43.0%
 - 2005: 38.0%
 - 2008: 34.4%
 - 2011: 31%
 - 2014: 28.4%
- ▶ **They are Leaving the Driveway!**

Consumer Trends and Growth

- ▶ Average car age in the US is 11.4 Years old
- ▶ To protect the investment they are more apt to wash their car
- ▶ The Industry is growing since more Americans are washing their cars at a professional wash than ever before
- ▶ Of those that wash at a professional carwash, 57% use a wash with a conveyor most often

Consumer Trends and Growth

Of those that wash Professionally in 2014

- ▶ 29% Exterior
- ▶ 28% Full Serve
- ▶ 23% In-Bay
- ▶ 13% Self Serve
- ▶ 7% Hand

Consumer Trends and Growth

Where do they wash? (2008 vs 2014)

- ▶ 34% / 28% At home
- ▶ 14% / 21% Exterior
- ▶ 20% / 20% Full Serve
- ▶ 18% / 17% In-Bay
- ▶ 14% / 9% Self Serve
 - (5% hand in 2014)

Consumer Trends and Growth

- ▶ Number one reason for washing at **home** instead of at a professional wash – **Cost**
- ▶ Single biggest motivation for using a **professional** carwash – **it makes the consumer feel good!**
- ▶ The emotional rewards outweigh the attributes in terms of motivation

The Car Wash Customer

- ▶ Why don't they wash more often (580)?
 - Too expensive – 36%
 - It isn't necessary – 22%
 - Too time consuming – 20%
 - I'd rather do it myself – 7%
 - Weather does the job for free – 6%
 - I'm too lazy – 2%
 - I don't like the service at car washes – 2%
 - It's inconvenient – 2%
 - Location, there aren't any washes close by – 2%

The Car Wash Customer

By Wash Type:

- ▶ Exterior: 57.5% are female
- ▶ Full Serve: 44.6% are female
- ▶ In-Bay: 56% are female
- ▶ Self Serve: 48.5% are female

Industry – US Market

ICA 2011 Market Study

80,500 Locations

24,000 Conveyors
(26,400 tunnels)

25,500 Self Serve
(89,250 Bays)

29,000 In-Bay
(37,700 Machines)

2,000 Other
(Truck Washes etc.)

Ownership Type

45,000 Owner/Investor

30,000 C-store and gas

5,500 Hypermarket

Industry Growth

Car wash and auto detailing industry revenue growth is forecasted at an average annual rate of **3.3** percent to 2018*

- ▶ Contributing factors include:
 - The growth is largely tied to the industry's reliance on **consumer discretionary spending** which they believe will increase in the next 5 years.
 - New and used **car sales** are positive indicators for the next 5 years
 - **Environmental awareness** will drive consumers to professional car washing

US OEM Conveyor Equip. Sales

Year	Total Sales	In US
2005	\$118MM*	
2007	\$135MM**	\$103MM
2010	\$84MM***	\$79MM
2011	\$92MM***	\$66MM
2012	\$99MM****	\$78MM
2013	\$105MM****	\$83MM
2014	\$117MM****	\$95MM

2015 Lot of interest –Believe we will see single digit growth for this year at OEM level

Growth Segmentation

What types of car washes are being built in the industry now?

Internal sales data revealed the following:

	2009	2010	2011	2012	2013	2014
Express	75%	77%	80%	81%	84%	82%
Flex	20%	17%	15%	10%	11%	12%
Full	5%	6%	5%	9%	5%	6%

Full Serve Future

- ▶ Full Serve locations that remain will do well, since competition will shrink
- ▶ Need to be well run with focus on the customer experience and providing value:
 - Consistency of product
 - Time of service (15 minutes or less)
 - Professional appearance (personnel & facility)
 - Professional presentation of services
 - Menu offerings to differentiate them from the Express providers

Flex Future

- ▶ Flex Service (combination of Express and off-line aftercare) is replacing Full Service:
 - In areas with good income levels to capture more market share of the washing public
 - Less labor / easier to manage than Full Serve
 - Off-line offerings will be priced higher than at Full Serves
 - Pricing will be used to throttle up or down the percentage of washing customers (usually looking for 25% – 30%)
 - Percentage of Flex washes being built will increase with time, taking away from both Express (to differentiate) and Full Serve

Express Future

- ▶ Express Exterior segment is easily outpacing other conveyor segments:
 - Express Exterior is creating growth in tunnel systems. 82% of all new tunnels we built in 2014 were Express Exterior
 - Investors that have always been drawn to the industry see they can enter the business without the labor headaches and management problems of the Full Serve model and still get a good ROI on this real estate based investment
 - In-Bay created additional customer base for Express Exterior washing
 - In-Bay and Self Serve investors are looking at the Express market

Industry Overview Summary

What do we see happening in the future?

- 5 Year Outlook: Positive
 - Growth on the Retail side
 - Consumer studies support positive growth
 - Market place supports those studies
 - Growth in the OEM Conveyor market in 2015
 - Steady single digit continuing through 2019

Car Washing – What's In Our Future

Client Types

- Historic
- Current
- Future

Client Types – Historic

Historic – 1950's – 90's

- Family owned and operated
- One location
 - Few had multiples beyond 5 locations
 - Very fragmented
- Full service in the south
- Full serve or traditional exterior in the snow belt
- Volumes better in the snow belt
 - Exceptions (CA, HI)

Client Types – Current

Current – last 15 years

- Investors / Existing Family owned and operated
- Multi site
 - 3 – 7 locations
- Express Exterior
- High volumes in all geographic areas
 - Many more high volume sites than in the past

Client Types – Current

Current

- Family owned territory mind set – Car Wash Professional – (very personal)
 - Been doing this for 20+ years
 - Well established brand
 - Slowly looking at converting or building Express
- Car Wash Investor – (strictly business)
 - Looks for opportunity in any market
 - Moves fast – especially today with low rates
 - Willing to build Express next to existing Full Serve that can't be converted

Client Types – Current

Current

- Creates conflict between existing relationships
- New role of OEM – Referee!
 - Don't always know where car washes are being acquired or built
 - Facilitate dialogue if clients are willing to talk to each other

Client Types – Current

Current

- With both client types today:
 - Caused all locations to “up their game”
 - More “retail” than before
 - Focus on “experience”
 - Dictate to the OEM
 - What they want and where they want it
 - Will listen to suggestions, but they decide
 - It is only the first time buyer (or first time converter) where the OEM or distributor has real input
 - Can help with Saturation
 - Location, Location, Location vs Build it and they will come

Client Types – Current

Current

- Investment firms
 - Retail side
 - TDR Capital – Imo – over 800 locations
 - Leonard Green and Partners – Mister Car Wash – over 130 locations
 - OEM side
 - Trivest – Ryko / MacNeil
 - Prairie Capital – DRB
 - Culture change in the industry
 - Jeans??

Client Types – Future

Future – Competition could intensify

- Gas / convenience entering the tunnel wash market
 - Who – Multi site operators
 - Why – differentiation and margin
 - Where no room for free vacs – best gas wash in a market
 - Where have room for free vacs – become your competition
 - Entering the car wash business
 - Looking for wash sites that can have gas

Client Types – Future

Future – Competition could intensify

- Car Dealerships entering the tunnel wash market
 - Why – Have to wash cars being serviced
 - Turn cost into profit center
 - Increase CSI (Customer Service Index)
 - Build a retail Express wash to service their dealership
 - 20 group conversation

Client Types – Future

Future – Competition could intensify

- Big Box?
- National Franchise?
- ???????????

Car Washing – What's In Our Future

Challenges with New Vehicles

New Vehicle Issues

- ▶ Anti Collision Sensors
 - Auto brake
- ▶ External Keypads
 - Auto lock
- ▶ Transmissions
 - Auto park
 - “Car Wash Mode” on Acura TLX– in the manual
 - Foot on brake
 - Shift to neutral
 - Within 5 seconds press engine stop/start button
 - Puts vehicle in Accessory mode – (vs forcing “park”)

New Vehicle Issues

- ▶ New Finishes including the Matte finish
 - BMW – M series – now expanding
 - Frozen Matte finish – \$3,500.00
 - Mercedes – wide offering
 - Magno – \$3,950.00
 - Hyundai – Veloster Turbo –
 - Matte gray paint for \$1,000.00
 - All three automakers recommend against automatic car washes
 - They also strongly warn against ever using any kind of polish, wax, or rubbing compounds
 - Recommend using sealants and soaps made for matte finishes

New Vehicle Issues

- ▶ Body Issues
 - 2014 Toyota Sienna



New Vehicle Issues

► Need to re-engage with Automakers

News from the industry

By [Professional Carwashing & Detailing editorial staff](#)

October 11, 2010

ICA seeks reports on Toyota Sienna

The International Carwash Association (ICA) is seeking documentation from carwash owners and operators of damage to the rear bumper of Toyota Siennas.

All incidents should be reported to Joe Ward, jwardica@aol.com, director of engineers for the ICA. Carwash owners and operators should include the vehicle's identification number and pictures, if possible.

Ward is asking for this information because of a high-rate of incidence with the Toyota Sienna. Over 50 cases of bumper peel back damage have been documented by the ICA.

According to Ward, the rear bumper on the Toyota Sienna Minivan can become loose at the rear wheel opening and can be caught by the carwash's side wraps.

Ward will be meeting with Toyota representatives shortly to discuss the damage and possible retribution for carwash owners and operators.

Two years ago, after Ward's involvement, Volvo reimbursed over 100 carwash owners and operators for damage to sunroof glass due to a design discrepancy.

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New Vehicle Issues

► Need to re-engage with Automakers

◦ National Association –

- Gov't affairs
- Relationship with the automakers
 - Work on behalf of it's paying membership to make car washing safer
 - Hire a specialist – Like Joe Ward (Director of Engineering)
 - Joe had 34 years experience with Ford
 - 15 years in design insuring carwash compatibility
 - Old program had benefits for both Operators and Manufacturer's
 - Operators – Bulletins / manuals car wash friendly
 - MFG's – New car specifications – dimensions, clearances
 - ewulf@carwash.org/ PFazio@sonnysdirect.com

New Vehicle Issues

Questions