



Search

Sponsored by: Radio Plus



TOPICS Total Car Care

VIDEOS Video Spotlights

SURVEYS What's Hot Now

SUPPLIERS Buyer's Guide

RESOURCES Classified, Calendar, Links

Current Issue

Mini Express - Self Serve's Next Incarnation

By Roger A. Pencek

06/01/17

Share 1 PRINTER FRIENDLY

I see a wave of "mini express exterior" washes as the next evolution of car washing. They are being put together even as we speak. My reasoning in short: The current traditional express wash cost is about \$3 million to \$3.4 million, ground up. I foresee the cost advantages of targeting strangled self-serve-with-in-bay-automatic washes for conversion to mini express exterior washes as the driving force. My recipe for this conversion (see Table 1 on page 20) calls for expending less than \$2 million, site acquisition included.

The total available market of washes in the United States is comprised of about 30 percent self-service washes with existing zoning (existing entitlements) for a car wash on approximately half the land required for a traditional express. These sites have electric and water service in place thus saving planning and zoning time, avoiding mounting restrictions, and steering clear of the raising cost of building new.

FULL-SERVICE HAMSTRUNG

As a result of competitive pressure from express-exterior newcomers, many full-service car washes have come to realize that they need to adapt by either converting to express themselves or adding an express option to their existing menu of services. Further, many of these existing full-service locations have, relative to the express, low car counts and high-priced wash packages, which, coupled with the burden of labor costs running at 40 percent or more of gross, will ultimately place them in the crosshairs of the express around the corner with a \$3 to \$5 basic-wash price point.



Consequently, we have seen traditional full-service washes either fail or unconditionally surrender by converting to the express concept. To convert these existing full-service sites (bought for around \$1.5 million to \$2 million each, with land) requires, at a minimum, a facelift (costing around \$200,000), additional car wash equipment, and 12 to 15 equipped vacuum bays (an expenditure of approximately \$1 million). The total cost for conversion, in loose numbers, would come to \$3 million. If you can purchase an existing full-service wash with land for under \$2 million and convert it with another \$1 million, you're ahead of the pack — but still \$1 million over the cost of a mini.

Putting a further crimp in the full-serve segment, the cost of commercial undeveloped raw land, especially in the Pacific Southwest, is reaching beyond \$2 million for one acre. The current express exterior market trend is on fire all over the United States and fewer full-service washes are likely to survive. There is no debate that the express wash's speed, safety of staying in the car, and low price will ultimately devour the competition. However, some full-service wash locations trump time and money: Full-service locations in high-dollar, affluent niche neighborhoods will profitably survive.

SELF-SERVE ADVANTAGES

Entering the express wash market as a neophyte investor or a mom-and-pop owner is full of risky financial decisions. Today express wash locations make up 60 percent of the conveyor car wash market. Half of express washes are built from the ground up at \$3.2 million or more; the rest are express-wash conversions at around \$3 million each, both a gamble like any business. Whether you compare the cost of either a new-built express or a full-serve-to-express conversion to the cost of a self-serve-to-mini-express conversion, the self-serve option comes out ahead.

The mini express conversion can be accomplished for \$2 million or less, all in — that's an advantage of \$1 million to \$1.5 million. This makes the entry into the car wash business easier with conventional lending of 25 percent down (\$500,000). Additionally, buyers that qualify for SBA financing with 10 percent to 20 percent down, have a golden opportunity to create a family car wash

business like in the good old days, with success stories like the Weiss Guys in Phoenix, AZ and Bubble Machine in San Diego, CA.

Table 1 Simple Mini Express Recipe

Existing Self-Serve Wash	\$1,000,000
Demolition of Self-Serve Bays	\$15,000
Equipped Vacuum Bays (12)	\$200,000
70' Express Tunnel with Pay Station	\$400,000
Trace L&I and Signage	\$200,000
Soft Costs	\$100,000
Total	1,915,000

The market is evolving now — from converting full-serve locations to express exteriors to converting self-serve locations to mini expresses. In many cases, a 65' to 80' express tunnel can be accommodated in the area taken up by an in-bay automatic. Add 12 equipped vacuum bays and, "voila," a mini express wash is born at under \$2 million, all in. These mini express washes have the capacity to wash 10,000 to 12,000 cars per month and more, just like the wash volume of the big express guys. Above is

AERODRY
THE QUIET DRYERS™

With three decades carwash experience, we understand the importance of quality.

We believe in our products and work hard to develop the best systems for an industry we know so well.

P 303.438.0120 aerodrysystems.com

LATEST ISSUES

View Issue Archive >>

PUROMAX™
by FSHS Incorporated.

Spot Free
Easy As
1,

LASERWASH 360 PLUS

BUYER'S GUIDE
Search 1,000+ manufacturers worldwide by hundreds of product categories...

- Car Wash Equipment/Product Manufacturer
- Car Wash Equipment/Product Distributor
- Detail Equipment/Product Manufacturer
- Detail Equipment/Product Distributor
- Fast Lube
- Association
- Complete Systems
- Products and Services
- More Companies >>**

a simple plot of a typical existing self-serve wash on a 28,000-square-foot lot with an overlay of what a mini express tunnel and compact vacuum concept would look like.

Not bad for a \$500,000 investment: \$300,000 EBIDTA per year, after debt service (see Table 2 on page 24).

Naysayers abound. Arguments against cover such suggestions as too little equipment, not enough land, too little capacity, and inadequate speed. Today's high performing equipment is quite capable of producing a clean, shiny, and dry car in a mini express. A car wash site measuring 30,000 square feet can easily be configured for good traffic flow and ample vacuum stations. One acre only adds to the land cost of the project. I've never heard of excess land as an insurance policy for success. If designed correctly a mini express tunnel has the capacity to deliver 10,000-plus cars per month, month after month. And any 70' mini express tunnel on the market can produce 100 cars washed per hour. However, not every self-serve wash location will be able to be converted into a mini express. A reputable car wash equipment company will usually absorb this initial express assessment and do a layout for you.

CONSOLIDATORS

Money from today's lenders is available at about 5.15 percent through the Small Business Administration — that's \$6,000 per month per \$1 million borrowed. Existing self-service washes can usually be purchased for under \$1 million, converted into a mini express wash for under \$1 million, and easily financed with \$500,000 down. The requirement for a SBA loan is a good financial statement and "experience in the wash business," unless it is for a "startup" business, which this is.

	Year 1	Year 2-5
	(\$4,000)	(120,000)
	Cash)	Cash/Year)
Car Wash Income		
Projected Rate \$4.10 - \$3.10		
per Car	\$450,000	\$618,000
(200 Cars, 2000/mo)		
Projected Gross Profit	\$450,000	\$617,000
Operating Expenses		
Payroll/Owner	\$40,000	\$6,000
Taxes/Workers' Comp/MP	7,000	11,000
Bank/Mortgage/Debt Service	100,000	100,000
Utilities	20,000	30,000
Repairs	2,000	3,000
Insurance	3,000	4,000
Laundry & Uniforms	1,000	1,000
Maintenance/Repairs	3,000	4,000
Prof Fees/Prog Sales/NOG	10,000	15,000
Heat/Exhaust/Fuel	4,000	15,000
Total Expenses	\$173,000	\$243,000
OPERATING PROFIT		
EBIDTA	\$173,000	\$374,000
Car per Month	7,000	10,000

*Heat service is \$3,000 per month.

The express wash acquisition market has overlooked the potential of the mini express concept. This might be due to the fact that the mini express needs time to mature and is not a "cash cow" out of the chute. This leaves the back door open for severe competition. Current "express rollout" consolidators acquiring express washes are buying EBIDTA, period. Their plan is simply to buy a bunch of expresses, based on earnings and pray the EBIDTA is still rich when they go to market.

Currently, new cluster express wash buyers (REITS and consolidators) are accumulating express washes at 7.8 times EBIDTA. While these are purchases of seasoned, profitable washes, they are also high-priced acquisitions in the consolidator's express portfolio. The \$4 million to \$5 million express washes they

purchased may be an initial sweetener in their portfolio to titillate the IPO Wall Street market, especially since they are secured by expensive real estate. By the time these consolidators pitch their acquired assets to IPO underwriting, time will have passed, and the aromas of once-rich EBIDTA from the previous seasoned owners may have evaporated. This would result from the failure of current ownership to maintain boots-on-the-ground management, failing wash equipment, and limited personal physical presence at the wash.

It's kind of like buying a bunch of vending machines, forgetting to fix and update them, and hoping for a dope to buy them. Express car washes are not vending machines. The car wash business, even express, is a personal relationship business where interacting with customers will always be important. This mini express concept is finding followers, and consolidators have to be blind to not see it coming. The "I-have-unlimited-money" swagger of the consolidator may be his undoing in the end. Mini's can afford to offer \$3 to \$5 express washes for years and years and years with a tiny debt service. IPOers are going to have to explain to their investors why minis are sucking the oxygen out of anticipated express wash growth.

Don't get me wrong, there are seasoned respectable consolidators that have been in the game for a long time, who have earned their stripes and manage a professional express portfolio. Then there are consolidators of a different nature who have only the accumulation of express washes on their mind — and a fast buck.

Mini's can immediately be converted from an existing self-serve wash at substantial savings over the cost of both a full-serve conversion and a ground-up, new-built express exterior. The mini is capable of washing the same 10,000-plus cars per month, requires half of the land, enjoys skinny debt service, and, as a result, can withstand any local \$3 express competitor. That's the "old fashioned way" of building a successful, respectable businesses — just basic MBA stuff.

Minis are an obvious express wash contender.

So the decision to go mini express at about 60 percent of the cost of a traditional express, coupled with little downtime for conversion (six weeks as opposed to a year to build), planning and zoning remodel permitting a snap (not six months for rezoning approval), and 10,000 cars a month cars within a year appears to be a sound one. There are about 5,000 qualified existing self-serve car wash locations in the United States available. Contact an experienced car wash broker in your geographic area to scout convertible self-serve sites. You can also talk to seasoned mini express equipment companies who want you to be successful and will guide you.

PROJECTION

A conservative estimate for 2017 through 2020 is that 500 existing self-serve washes in the United States will be converted to mini express washes. A lot size of 25,000 to 30,000 square feet is required. Table 2 provides a one-to-five year projection. Total, all-in cost is

\$2 million; a down payment of \$500,000 is assumed; first year EBIDTA of \$183,000 after debt service; second through fifth year EBIDTA of \$311,000 a year after debt service.

Minis are an obvious express wash contender. They allow mom and pops to enter the car wash express market with affordable financing, and give the existing big boy express washes a run for their money. There are approximately 40 self-serve locations with conversion potential for sale in Arizona right now and another 200 in the Pacific Southwest that are ready for conversion. Let's get the mom and pops back in the car wash business, provide solid wash services, and preserve our fragmented car wash market.

Roger A. Pencsek is president of Scottsdale, AZ-based Car Wash Brokers Inc. He holds an MBA from the University of Phoenix and has been a real estate broker and consultant in the car wash business since 1985. You can visit the company on the web at www.carwashbrokers.com.

[<- Back to: Current Issue List](#)

ALN Corporate

- [Advertise](#)
- [About Us](#)
- [Contact Us](#)
- [Privacy Policy](#)
- [Sitemap](#)

More from ALN

- [Auto Detailing](#)
- [Conventions](#)
- [Design](#)
- [Detail Management](#)
- [Drivin' Through](#)
- [Features](#)
- [Finishing Line](#)
- [In-Bay Automatic](#)

- [Industry Newsline](#)
- [Labor](#)
- [Manufacturers' Showcase](#)
- [On The Wash Front](#)
- [Product Showcase](#)
- [Profile in Success](#)
- [Vendor News](#)

The Magazine

- [Subscribe to the Magazine](#)
- [Issue Archives](#)
- [Buyer's Guide](#)
- [Editorial Calendar](#)
- [Login](#)
- [Become an Auto Laundry News Member](#)

Resources

- [Calendar of Events](#)
- [Buyer's Guide](#)
- [Surveys](#)
- [Submit Your News](#)
- [Industry Links](#)
- [Classifieds](#)
- [Catalog Guides/Websource Guides](#)
- [Advertise](#)

All content copyright © 2017 EW Williams Publications Company. All rights reserved. No reproduction, transmission or display is permitted without the written permissions of the publisher.