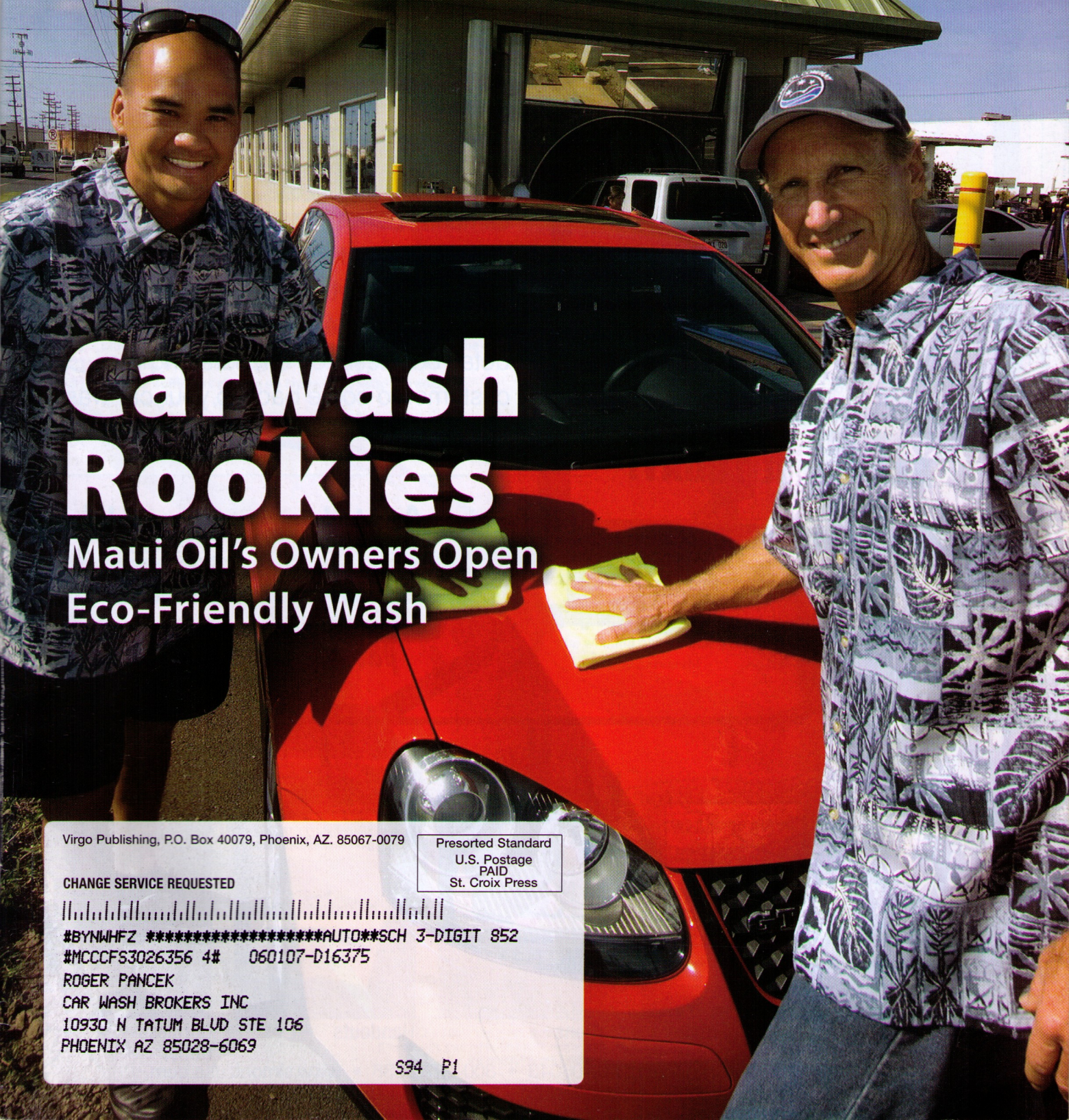


# MODERN CAR CARE®



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# Don't Enter Without an Exit Strategy

By Roger Pencek



**S**o, your childhood dream is finally accomplished. You own a carwash! Everything's in place. Glamorous times lie ahead (as well as money to be made) and all you have to do is woo the customer with your charming personality, right? But what if you want to exit the carwash business because of health reasons, personal issues, retirement or just burn-out?

Recognizing the reality of exiting — and being prepared for it — is just as important as your entry efforts into the carwash business. Your job is never over. I advise existing owners to consider reviewing the wash as if it were on the market for sale each day. Believe me — of all the washes we have sold in the last 26 years, most of the owners are in some kind of denial regarding the condition of their business, whether it's customer service, customer satisfaction, the state of their equipment, the status of their competition, or the maintenance of their books and records.

The maintenance of books and records is to selling, what location is to buying. If you decide to exit and sell your carwash, you're not just selling property. Both investors and mom-and-pop buyers alike are looking for a return on their time and investment; when a business element is attached to a sale, your books and records will be key in accomplishing that sale.

It's time to let the cat out of the bag: DO NOT buy or sell on proformas! That said, you'll be avoiding creative sellers and charming equipment salespeople who try to woo owners and newbie buyers into over-buying. Be on your guard when you hear

promises — don't buy or build Taj-Mahal-like carwashes in order to increase sales. What buyers want are the facts of your performance history. They will produce the future. Equipment and chemical salespeople, although they mean well, are simply not qualified to hold licenses or be considered experts if they are giving you embellished proformas.

Brokers and appraisers are licensed; thus they have to walk the line. But buyers and sellers have no way out when eager carwash-equipment or chemical salespeople (you

know who you are) create inflated proformas. Unfortunately, when these costly equipment packages do not match the proformas they've been given, owners end up buried in debt, and buyers for new builds are stuck. Every carwash has its own personality, created by the owner's business acumen and the geographic location. However, if the physical wash is over-built or the demographics in the neighborhood don't match up with the typical carwash customer, any exit down the road will be a challenge.

The reality is this: the potential buyer looking at your wash is no different than you

when you were the buyer. So hire a licensed and experienced real estate broker, consultant, CPA or attorney who specializes in the carwash business, and gather your books and records for their easy review. Qualified experts can produce a package for you that will tell the complete story of your business — and do so for a minimal fee. To get the best package, make sure you provide photos, area demographics, traffic counts, the last three years of your IRS tax returns, end-of-the-year profit and loss numbers, and a current appraisal. This streamlines the process of exiting because it helps buyers easily interpret the value of your business.

The current trend today is to build express carwashes from scratch or convert closed gas stations or existing self- or full-service washes into express washes. As this trend continues, there will be a surplus of express washes and a scarcity of customers. This is just one example of the things that will affect your exit. Planning an exit is complicated. You have to think strategically about the value of your wash — and you can't just wait until it's time to sell.

Whatever they're buying (full-serve, self-serve or express), today's buyers just want a reasonable return on their investments. As a seller, you have to ask yourself whether you would buy your own wash for the price you're asking. If you can answer "yes," you have a good exit strategy in place. Your exit, as much as is possible, should be planned in advance and monitored on a consistent basis. Your competition, the state of the economy, the demographics of your area, your past and present books and records, and your reputation (customer service) — all of these things need to be evaluated constantly.

I'll leave with the golden rules of exiting: keep accurate and quality books and records, keep your fingers on the pulse of the market, get expert advice and don't rely on proformas.

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*Roger A. Pencek is founder, president and broker of Carwash Brokers Inc., which has corporate offices in Phoenix. CWB operates and owns 17 offices throughout the United States*



*and is the largest carwash brokerage and consulting firm in the country. Roger can be contacted through the company Web site at [www.carwashbrokers.com](http://www.carwashbrokers.com).*