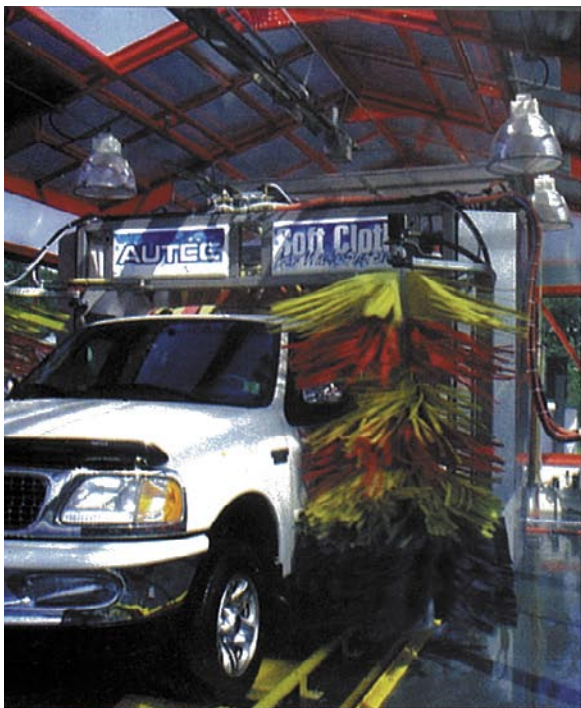


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**CONVENIENCE
STORE DECISIONS**



How to make car wash a Hot Spot

Car wash used to do its best volume in the winter months. But for some operators, aggressive marketing and branding strategies have transformed the profit center into a hot seller year-round.

By Kate Buczko, Associate Editor

Car wash didn't turn a profit for R.H. Smith Distributing Co. until the company branded its concept Splash Car Washes in 1997. But the company did more than simply put a name to its car wash offer. It wanted to push the quality issue and break the stigma that "gas station car washes" were dirty and unreliable. At the same time, the company sought to switch its pricing philosophy to focus on building high-end car wash margins.

"In the beginning, a car wash was something our customers got for free," says Jerry O'Neal, R.H. Smith's director of car wash sales. "When we developed the Splash name we were trying to get away from that mentality. We wanted to make it profitable because with gas margins slipping, we needed to generate profits elsewhere."

R.H. Smith (Grandview, WA) got its start in the late 1940s as a single full-service station and installed its first car wash 20 years later. Since then the company has grown into 17 locations, 13 of which also have company-operated Smitty's Convenience Stores. Five of the 13 stores feature car washes and two of those five are Splash Car Wash Plazas, which are larger sites that combine a convenience store, fuel and a car wash but devote more real estate to automatic, self-serve and hand-wash bays.

The equipment at each of the wash sites varies by demographics and competition, but the one staple at all Splash Car Washes is an image of clean, reliable washes where customers get their money's worth. R.H. Smith made a "substantial investment" to rebuild some washes and bought entirely new equipment for others. The company made a point to differentiate its washes from the rest of the buildings on the site and installed sign packages that matched the washes.

The chain spends approximately \$10,000 to \$15,000 a year marketing its washes—point-of-sale materials, local promotions, a Splash Wash Club Card for fleet fueling, building awareness of the Splash offer on the company's

Web site (www.rbsmith.com) and advance wash purchases. If a site is underperforming, O'Neal doesn't look at the equipment, he looks to the store associates who are encouraged to promote the offer.

"We went from zero profitability to nearly 100% profitability. Before capital costs we make an 80% profit margin and we spend a minimal amount on labor," O'Neal says. "The biggest challenge is training our sales associates to be fresh with their sales pitches. We continually run contests and monitor upselling using a secret shopper."

"Our volumes are tremendous from one month to the next. We get a lot of return business where customers are coming to get a car wash alone rather than having a car wash as a 'side effect' of being on the property," O'Neal continues. "The Splash name helps a lot. We have a strong presence, and that's so important."

Event marketing

In 2001, just four years after converting her father's automotive repair business to a convenience store and gas location, Sally Resch, co-owner of Miller's Friendly Mart and Car Wash, installed a car wash at her site. A newcomer to the business, Resch saw car wash as a means to offset the slow winter season, but as the months rolled on, she found that the right car wash could boost her profits year-round.

"It was a matter of survival. We're a small station and don't have deep corporate pockets to delve into for help when it gets tough," says Resch, whose site primarily services the community of Highland, IN, but also catches interstate traffic in the fairer months. "With gas prices being so competitive and margins just about nil, our profitability drops severely in the winter. But so far car wash has proven to be a nice addition and we've had a lot more business in the summer than we anticipated."

Part of Resch's success with her car wash—even with competition in the area the site averages 50 cars per day,



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or 1,500 per month in the summer and 2,500 per month in winter—stems from careful selection of equipment. Resch wanted a friction wash because she recognized that residue from the Highland steel mills coats cars with as much “road film” in the summer as the salt and snow do in the winter. She also knew her competition offered touchless washes because her customers were vocal about it.

“We talked to our customers and the general response was that they didn’t want us to go touchless,” says Resch. “The only way to remove the road film here is with a friction wash. Our customers are aware of the need and now, more importantly, they’re pleased with the results.”

Resch’s soft-cloth rolover wash is housed in a see-through glass building. The wash is tough enough to combat the elements, but gentle enough that even customers with classic cars can trust them for a “spit shine” before heading to a car show. Not only was her supplier supportive from the ground up, but the wash offered Resch several advantages, even as a one-store operator.

“We researched most of the rollovers out there and were most impressed with [our supplier’s] equipment. Being brand new to the business, we needed someone to show us the ropes, and our turnkey system made getting into it a breeze,” says Resch. “And because the building is so unique, it sells itself. We put it closer to the street so people driving by can see it. At night, all lit up, [the car wash] is a beacon for our customers. In fact, it sells as well at night as it does during the day.”

Because the car wash is unmanned, Resch is able to increase revenue without



R.H. Smith spends \$10,000 to \$15,000 per year marketing its five Splash Car Wash Plazas.

having to increase labor. She says the total operating expense of the wash is 15% of total sales, but she anticipates a return on her investment within three years with the 10% increase in sales her wash provides.

Car wash as theater

Ever since Warren Johnson built his first store in 1992, car wash has been a part of his business. As presi-

dent of S-Mart, Inc. (Indianapolis, IN), he installed a car wash at every one of his seven stores that could accommodate one. Two of his sites have friction washes, but one site has a self-serve wash housed in the same style glass building used by Resch. Chainwide, car wash is the third-highest volume profit center, averaging \$12,000 to \$15,000 in sales per month. His newest wash recently pulled in \$20,000 in a single month.

Johnson attributes a great deal of his success to the washes themselves. He compares the equipment to a Sherman tank and says the glass building has put his sites on the map.

“It’s a phenomenal building that sets our wash apart from anyone else’s. It’s a great merchandising tool and it catches people’s attention,” says Johnson. “The glass bays give a lot of my customers—especially the female ones—a sense of security. People often are reluctant to go into the dark, concrete wash buildings where they can’t see what’s going on around them.”

But customer loyalty, Johnson says, comes primarily from providing three core services for their vehicles: gas, wash and oil change.

“The two most frequent needs for a car are gas and a wash,” Johnson says. “This is a convenience business, so if I’m solving two of their cars’ biggest needs and I’m doing it well, I can count on them coming to me first.”

CSD



A self-serve all-glass car wash has helped car wash become the third-highest volume profit center for S-Mart, averaging sales of \$12,000 to \$15,000 per month. The newest wash recently did more than \$20,000 in monthly sales.

