

7/31/2022

Car Wash Feasibility Study

9224 Central Ave., Landover, MD 20785

Prepared By: FeasibilityStudy.org

EXECUTIVE SUMMARY

This study aims to provide a market and feasibility analysis for the development, profitability, and general reasonableness of installing an automatic car wash at 9224 Central Ave, Landover, MD 20785.

The proposed car wash will be located at the intersection of Central Avenue and Brightseat Road which is within close proximity to Interstate 95. The general neighborhood resides on a high-traffic street featuring nearby dining, retail, and other service establishments. Additionally, the region maintains a good mix of single family homes and apartments .

Modern car washes should be clean, efficient, and convenient for busy consumers to access. The proposed site sits on two acres of zoned commercial land which is believed adequate to support a high-volume automatic car wash. Further, it is essential to the financial sustainability that any car wash business today must be professionally managed. Our team will recruit the appropriate candidates.

We understand that consumers invest a substantial amount of resources in their automobiles and thus want to protect their investment by keeping them clean and protected from environmental impacts.

Prior to proceeding with the project launch, the Company has asked for answers to the following critical questions. This market study is designed to address the majority of those queries at a level that allows the Parties to make an informed decision.

The questions raised by the Company include:

1. Is there enough demand in the local market for the chosen business to be profitable?
2. Will the car wash be fitted with the correct design, set up, and functionality to achieve its financial objectives?
3. Does the ownership team have the right personnel to operate this business correctly?

Table of Contents

EXECUTIVE SUMMARY	2
Market Analysis	4
Figure 1	4
Figure 2	4
Revenue Projections	5
Current Market Analysis	6
Top Car Wash Industry Statistics:	6
• The U.S. car wash industry value was \$14.21 billion in 2020.	6
• 32% of annual car wash revenue comes from vehicles washed during winter.....	6
• The cost of a basic mobile car wash ranges from \$26 to \$60.....	6
• The average hand car wash costs about \$7.....	6
Anticipated Future Market Analysis	6
Market Demographics	7
Location	7
Market Demographics	7
Satellite Image	8
Incentives	9
Competitive Landscape	9
Sales	10
Target Market Analysis	10
Technology	10
Expenses	11
Revenue Format, Wage Expenses, Recurring Business	12
Environmental Impact	12
Risk Factors	12
Conclusions & Recommendations	13
Appendix 1	14
Macneil Wash (NCS Equipment)	15

Approach

To answer key questions regarding the project's financial viability, as well as the feasibility of said project, we examine the characteristics of the Landover, MD area, and other proximal submarkets, using detailed economic, demographic, and other data sources.

Market Analysis

In 2020, there were approximately 276 million cars, motorcycles, trucks, buses, and other vehicles registered in the USA. According to US Census bureau, within the broad washing and cleaning category, Automatic Washing and Waxing Services made up \$5B of the \$9.7B (51.0%) of total car wash sales in 2017. Detailing Services were \$1.9B (19.2%), and Hand Washing (with or without waxing services) was \$777.2M or 8.0% of total car wash sales.

Using 2019 US Census Bureau data there were approximately 17,000 Car Washes with paid employees in the United States, thus a realized growth of 6.8% (by 1,074) over 2015. These car washes employed 163,178 people, (up from 153,970 in 2015), which averages approximately ten workers per car wash facility.

The growth of the car wash industry is tied to the increasing number of vehicle owners, increased density in urban settings, busy schedules, home-use water restrictions, and an increase in disposable income. As the car wash industry has matured, consumers recognize the value of on-demand professional washing services rather than do-it-yourself at home.

In a cash economy, it was often difficult to gain financial clarity on the financial operations of successful businesses such as restaurants, clubs, laundry mats, and car washes. Further, the absence of natural reporting standards made the industry less investable in the eyes of institutional investors. With the proliferation of the credit & debit card-based economy, and the advent of car wash tracking technology and statistics, it has become easier and quicker to track financial analytics.

Traditionally car washes were individually owned and operated, not corporate-like with dozens or hundreds of locations. Using 2017 US Census Bureau data, the top fifty companies in the car wash industry only accounted for 20% of the industry's total sales. In comparison, the top fifty Automobile Parts and Accessories Stores (where car owners often buy products to wash their own cars) accounted for 62% of the total sales of the industry.

As the car wash industry has matured, institutional investors now recognize the value of the car wash business, as evidenced with the recent IPO of Mr. Car Wash (NYSE: MCW). Mr. Car Wash operates over 390 car washes nationwide and has the largest car wash subscription program in North America. It is estimated, Mr. Car Wash only has 2.3% of the car wash market.

Most car wash locations in the United States are owned and operated by small to medium sized independent businesses. While no big corporations dominate the industry, the trend is moving away from “Mom and Pop” to operators or suppliers who are aggregating car washes with capital from private equity investors. For example, in August 2020, Sonny's Enterprises, the worldwide leader in conveyerized car wash equipment, chemicals, controls, service, and spares, was acquired by Genstar Capital, a large private equity firm.

Car washes are currently a favored business model for private equity; due to their acquisition-based growth strategy- as business fragmentation equals high consolidation potential. Investment capital from private equity is seeking to capitalize on these inefficiencies and consolidate the industry. Recent technology has made the industry more investable; and the proper software and point of sale systems are as critical as the equipment to wash and dry cars.

Revenue Projections – Monthly *(Prices below are for Example Purposes)*

Based on 10,000 Vehicles per Month	\$6.95 Car Wash	\$12.95 Car Wash	Monthly Membership Subscribers @ \$39.99	% of Customer Base
3,700	\$25,715			37%
3,700		\$47,915		37%
2,600			\$103,974	26%
TOTAL \$177,604				100%

FEASIBILITY

Figure 2

Current Market Analysis

Car washing is among the most active industries worldwide, with an estimated market value of \$31B USD. In the US, annual growth remains steady between 3 - 4 percent.

Top Car Wash Industry Statistics:

- In 2020 the U.S. car wash industry market value was estimated at \$14.21B USD.
- Seasonality: 32% of annual car wash revenue comes from vehicles washed during winter, and 50% in the spring & summer, and fall season closing out with 18%.
- The cost of a basic mobile car wash detailing service ranges from \$75 to \$350, with an average cost of \$150.
- In a recent industry study, 74% of consumers were willing to pay to have their car washed. A 47 percent increase since 1994.
- Sixty-six percent of car owners that live in the U.S. will get their vehicle washed anywhere from one to two times each month.
- In the United States, approximately eight million vehicles are washed at car washes every day.
- 30 - 38 gallons of water are used in automated tunnels each time a single car is washed. Cars washed at home are estimated to use over seventy-five gallons of water.
- According to various industry statistics, 75% of millennials take note of eco-friendly services, and they will opt to pay more for a car wash that is professionally done if it is done with eco-friendly materials and services. Companies that use eco-friendly products spend more on chemicals, but these businesses are also able to up-sell their services over other less eco-friendly products.
- Only a few decades ago, most Americans preferred to wash their cars at home and viewed a car wash as an expensive luxury and potentially harmful to their vehicle. This sentiment has shifted, and the do-it-yourself car wash market has declined and is now estimated at 25% of the car wash market.

Anticipated Market Objectives

A study by Consumer Reports showed that as owners hold on to cars longer (because the price and features included in new motor vehicles continue to rise), businesses like car washes that help them maintain their investment is expected to grow.

The car wash market size is projected to expand at a CAGR of 4.8% between 2021 and 2028. Due to their hectic lifestyles, people are turning to car wash services and the conveniences they provide. Car wash revenue projections in the U.S. showed an increase of 9.4% in 2021.

Due to the decrease in consumer spending and the lockdown orders imposed by the government, the car wash and auto detailing industry suffered a financial hit. However, since the economy is gradually reopening, the sector is rebounding.

Market Demographics

Population

According to the 2020 U.S. Census, there were 955,306 residents in Prince Georges County, Maryland. There was an average of 315,634 households with an average family size of 2.83. The median household income was \$86,994, with a per capita income of \$38,502. Single Family townhomes near the proposed car wash appraised in the \$300,000 range, with Single Family homes approaching \$500,000.

According to the Traffic Volume Map 2020 for Prince George's County Maryland, 46,102 cars per day transit Central Avenue. With a proforma estimate of 325 cars washed per day, the proposed car wash underwrites less than 1% of traffic volume, falling well within industry standards.

Location

9224 Central Ave, Landover MD 20785 is in the greater Washington D.C. market. The property is located inside the I-495 beltway on the line of Landover and Hyattsville, MD.

The property has two tax parcels located in Prince George's County Maryland located on District 18 Account Number 2072759 and 2073062 Map 0067. According to the Maryland Office of Assessment, the properties contain 2.13 acres and .45 acres respectively for a total of 2.58 acres of which less than 2 acres are developable. Zoning is I-3: Planned Industrial/Employment Park which allows car washes by right.

The property is at the bustling intersections of Brightseat Road and Central Ave at the Landover Exit off I-495. Maryland Highway authorities estimate that 46,102 cars (in its Central Avenue daily auto count) pass by the proposed car wash site daily. Additional traffic should be generated from Brightseat Road. On both Central Avenue and Brightseat Road, the speed limit ranges from 30 - 45 MPH, which is an optimal range for potential customers to react to well-placed signs and advertising. The increase in traffic volume during rush hours leads to a spike in car washing.

Local businesses include over a hundred restaurants and two malls within a five-mile radius of the location of the proposed car wash, adding increased visibility (free advertising).

- There are twenty car dealerships located within a five-mile radius of the proposed car wash location. Dealerships and fleet services can also be a reliable customer-base.
- There are twenty four hotels within a ten-mile radius of the location as well.

Satellite Image of 9224 Central Ave., Hyattsville, MD 20785



Incentives

Current State of Maryland economic development incentives available for the location of the proposed car wash are:

- Strategic Demolition Fund
- Community Legacy
- Neighborhood Business-Works
- Maryland Economic Development Assistance Authority and Fund
- Maryland Industrial Development Financing Authority
- More Jobs for Marylanders
- More Opportunities for Marylanders
- EARN Maryland
- Maryland Research and Development Tax Credit
- Job Creation Tax Credit
- Cybersecurity Investment Incentive Tax Credit
- Biotechnology Investment Incentive Tax Credit Program
- Maryland Mortgage Program
- Maryland Venture Fund

While all these incentives may not be applicable to the proposed business, it is evident that the State of Maryland is interested in investing in this area. Additionally, due to job creation and use of local suppliers and vendors, it is likely that the proposed business would qualify for many of these incentives.

Competitive Overview

There are currently three automated car washes within a 3-mile radius of the proposed business location. In addition to the three automated car washes, there is one self-service car wash and one custom cleaning & detailing company that (currently) charges \$175 per vehicle. Given the factors of high traffic volumes, location visibility, stable median incomes, and population density, the demand for car washing services should be sustainable.

The closest automatic car wash competitor is directly across Central Avenue from the proposed business location and offers basic wash services ranging in price from \$16.50 to \$38 per wash, with additional services priced at \$4 and \$6, respectively. While this is technically a competitor, it is a small, older car wash with limited space for staging vehicles, washing services, and also has limited ability to provide additional amenities to consumers such as detailing and vacuuming.

Approximately three miles south of the proposed location is the newly built Auto Spa Express which is similar the proposed auto wash concept proposed for the new said location. They currently only charge \$20 for their premium wash while featuring a \$39.99 unlimited monthly car wash membership; a trend most car washing services now offer their customers.

Sales and Marketing

The high number of vehicles being added to the road each day are just some of the reasons behind the car wash industry's consistent profitability. Furthermore, people's busy schedules prevent them from having the time to clean their cars at home (and home water use is strictly regulated in most communities). Thanks to the automated processes, it is more convenient to have it done for them.

The proposed site of the car wash in this study is just outside Washington D.C., in Maryland, which ranked fifth in the top ten states in the U.S. for average sales of employer car washes. Once the business is established, sales objectives for the proposed car wash are 10,000 vehicles per month.

Target Market Analysis

Every successful car wash must develop a marketing plan to attract new clients quickly and cost-effectively by utilizing online marketing platforms such as Google (Ad Words), and social media platforms such as Twitter, Snapchat, Facebook, and Instagram. Before the business is operational, they will launch an ecommerce website allowing customers to pre-purchase their car washes (online) and subscribe to their Monthly Membership Programs.

Additionally, they intend to directly solicit business from ride sharing firms such as Uber and Lyft; as well as from private car service firms throughout the metro D.C. region.

Fruther, a 2019 CGS reports that Gen Z and millennials are willing to pay more for sustainable products. Out of the researched pool, 35% of the interviewees said they would be receptive for a price increase of 25%, while Gen Z was willing to pay as high as an additional 50 - 100%.

Technology

The exterior conveyor car wash, commonly referred to as the tunnel car wash, is often compared to a fast-food drive-through- due to similarities in the service process. Once the customer chooses their desired service in an exterior conveyor car wash, their car would automatically move forward and the wash-service would commence, albeit from a variety of car wash equipment.

The exterior conveyor car wash is one of the most profitable car wash types, next to the full-service car wash with a few slight differences. The average charge is (more than) double the cost of the in-bay automatic car washes. With this car wash feature, the proforma projects net profits of \$5.75 per car, then increases to \$9.50 per car once the monthly membership club stabilizes.

The proposed car wash will feature:

- Environmentally-friendly Resources
- Express Pay Terminals

- e-Commerce Platform
- Wireless Transactions

The software allows for touch-free, effortless management and operation while conserving resources. Additionally, the Express Pay Terminals, e-Commerce Platform, and Wireless Transactions provide a safe, secure customer interface while enhancing the user experience.

- MACNEIL Wash (NCS Equipment) will recommend a Pay Station firm and can help integrate the software. <https://www.macneilwash.com>

The proposed car wash is an “Express Car Wash” that is contained in a 100-foot (or less) tunnel. The soft-touch car wash system is specially designed with added brushes that may take up to three or four minutes to complete a wash cycle, yet is thoroughly effective in cleaning most types of vehicles. The added brushing may add additional time to the wash duration, but the slightly longer process would be worth the cleaner results.

There is no uniform procedure in car wash automation. The steps in car washing can vary slightly among different automatic systems. For example, some automatic car washes would only rinse a car at the start and the end of the car wash, while others would rinse each time a new detergent has been added. Also, there are some soft-touch car washes that may perform several cleanings with just brushes.

Revenue Format, Wage Expenses, Recurring Customers

Revenue for automated car washes is typically divided into daily drive-by business and recurring monthly club memberships. The proposed car wash proformas allocate 26% of revenue will come from monthly memberships and the subsequent 74% from random drive-in customers. (*see Revenue Projections Exhibit on Page 5*)

Like most business, the car wash industry also comes with equipment, maintenance, investment, employment, and other ancillary expenses.

The hourly wage for a car wash attendant in the U.S. is \$12. With the average hourly pay between \$10 and \$15, the car washer's salary depends on education, training, and meeting company bonuses (if applicable). The most experienced workers can earn up to \$17 per hour. Maryland (currently) has the highest hourly wage for car detailers at \$15.92.

Car washes survive on repeat business and a loyal customer base. According to Entrepreneur, retail shops “won’t start to profit on a customer until the third, fourth or even fifth transaction.” Monthly membership patrons can visit the wash as many times as they want during a given month for a flat fee. This ensures monthly revenue, and customers almost never abuse the system.

Environmental Impact

Water usage is the industry's biggest challenge. Since professional car washes can discharge a massive amount of water and sludge waste (aka 'Muck'), the Environmental Protection Agency has released regulations and laws to reduce pollution and facilitate water conservation.

Commercial car washes today use half the amount of fresh water compared to washing your car at home, or at an outdated car wash facility that does not utilize water reclamation technology.

The EPA's Clean Water Act enforces strict regulations on commercial car washes to help conserve as much water as possible. Typically, all waste water must be sent to a sewer treatment facility, which is kept separate from untreated storm sewers. Therefore, the use of approved chemicals that are either treatable at these facilities or completely biodegradable, should be used in commercial car washes.

New professional car washing facilities have (multiple) underground tanks that isolate sediment from wastewater before it is discharged to a sewage treatment plant. Once the tanks are filled, a waste disposal firm (that specializes in hazardous material removal) comes to clean them out and then disposes of the waste in an environmentally safe manner.

Most automatic car wash systems use about thirty five gallons of water per vehicle. To reduce water usage and encourage water-reuse, new automated drive-through car washes install underground waste water recycling systems. For example, the recycled water is used for the first rinse on cars and subsequent sprays are mixed with various detergents to clean the car. The percentage of recycled water will be determined by what system is utilized.

Risk Factors

Aside from the usual business risk factors, 'The Business' should consider the following potential risks and challenges:

- Storm Water Drainage Permit Requirements
- Environmental Restrictions
- An (underground) Oil Water Separation System may be required at some point
- Water Rationing or limited hours of operation
- Increase in Water and/or Sewer Costs
- Copycat Businesses
- High gas prices resulting in less vehicles on the road
- Delays in getting supplies and parts in a timely manner
- Wage inflation and limited workforce

Conclusions and Recommendations

Our analysis and modeling indicate that there is ample scope for multiple types of car wash systems to be successful at the proposed location. Given the proper use and permitting for the location and business available, there would be more than sufficient demand for the services the proposed car wash would provide. Further, given the owners' history of successful business ventures, they appear to possess the vision, capital, and management skills required to operate a profitable car wash.

With some of those caveats, while being mindful of the risk factors, The Company should move forward with the Project.

FEASIBILITYSTUDY.ORG

Appendix 1

www.macneilwash.com

After a brief discussion with Macneil Wash (NCS Equipment), the leader in car wash equipment, supplies, and technology, here is what we took away from the conversation:

1. Water Permits may be required. eg. How much discharge is there going to be?
2. Do you want to offer Full Service or Express Wash (eg. Two people prepping the car?)
3. a) Size of the car wash: 80' long, 100' long, 100'+ long?
b) In-Bay Wash? meaning the car does not move and the equipment goes around it.
c) Will the system wash multiple vehicles at the same time?
4. Discuss prices/quotes with a sales representative – ask them to include pay software and a payment station company. **They integrate with it.**
5. Water Recycling machines – has to go into the equipment. It is not included.
eg. 10,000g. underground tank.
6. Electricity – TBD
 - Ask sales representative to Quote for both Electric and Hydraulic equipment.
 - What will it save if you want hydraulic instead of electricity?
7. Sewer – TBD
8. Storm water drainage (permits?) - TBD

Pay Station

- They will Suggest a pay station firm. They work with several vendors. Eventually they will offer their own payment platforms/software.

Backlog & Delays

- There is currently a two-month backlog to get equipment and supplies.

Macneil (NCS Equipment) Can Also Provide the Following:

- Soap + Liquid

- Vacuum Stations
- Maintenance Service Plans

Daily Maintenance, Cleaning, and Disposal

- The pits should be cleaned once a week = 5 – 10g of “muck” can accumulate.
- The gears may have to be greased once a day.
- You will need to look into proper disposal options of the ‘muck’.

Hiring Recommendations

- Place an ad on a car wash website and hire an experienced car wash manager.

Town Meeting Required?

Macneil (NCS Equipment) can send a representative to go with you to help answer any queries such as water usage, water reclamation, and electricity consumption.

FEASIBILITYSTUDY.ORG