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The express exterior phenomenon

Experiences and opinions on the latest trend in carwashing.

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Perhaps one of the most explosive and controversial topics in our industry today is the express exterior platform. From the \$3 price point to the free vacuums to the bevy of new investors ready to leap without looking, there are plenty of areas for concern. And between the potential for high-profit margins and the pared-down operational standards, there's also plenty to rave about.

Manufacturers and distributors in the industry seem genuinely excited. This newest trend has brought a renewed interest in carwashing that can only be compared to the heyday of the in-bay automatic. In the next few years, you'll notice more companies turning their focus from in-bay automatic sales and manufacturing to conveyORIZED sales and manufacturing. This is primarily due to the success the express exterior has had in secondary markets outside of metropolitan cities and with its ability to effortlessly draw new investors to the industry.

A road map to success?

For second-generation and veteran full-service operators, the decision to go express-exterior is more conflicting. Many among this lot were raised under the philosophy that customer service meant employee greeters (yes, real people being paid to sell services and write-up tickets!) Not only that, but they were also taught to instill the value of their product in the consumer with a price-point to match. The \$3 wash is a disservice to most of the industry, some would argue. And the free vacuums? Disgraceful!

But this group of carwashers also has a lot to gain from the express exterior. Borrowing an idea here and there can turn a full-service carwash into a more manageable, profitable business. Take one or two ideas, (i.e. automation and high-volume by low-price) and watch it turn into an instant win. Of course, success is never as simple as all that, but the root of the solution is.

There are already several platforms that use this philosophy, namely the flex-serve model and the exterior-only carwash. In Northeast and Northwest markets, where the weather makes it difficult to depend upon high-volumes year round, the exterior-only model has been the winning ticket for years. It is

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- [iling](#)
- [Lube](#)
- [Hits](#)
- [iness](#)
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- [All Water Resource](#)
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- [The Great ebate](#)

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- [Supplier Search](#)
- [New Products](#)
- [Calendar](#)
- [Classifieds](#)
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unlikely that successful operators will need to tweak their operations much, but it doesn't hurt to take a page from the express exterior handbook.

Perhaps the most interesting part of this phenomenon is the draw it has had on new investors. One only has to look at Goo Goo Car Wash's rapid rise to the top with franchised operators to see that this model sells well, and sells fast. But therein also lies the problem: what will these new investors do for our industry? From Procter & Gamble's proposed "Starbuck's" facility to Quik Trip's winning customer-service platform, it's not hard to see who the big players will be. But what of the little players and of the veteran players?

Experiences & opinions

The next few pages you see will devote themselves to opinions, experiences and pictures from operators who are close to the express exterior phenomenon. Two of them are second-generation carwashers who have chosen to use the express exterior model in conjunction with their chains of full-serve washes. The next two are industry veterans who watched the industry grow from hand wash and full-serve to in-bay automatic and \$3 express washes. Their experiences and opinions should better indicate what sort of shadow this trend is casting upon our industry, and what we can expect from it in the near future.

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Lessons learned

Second-generation washers raised in full-serve use express exterior model to guide business in 2007.
 by Bob Koo

Jimmy Branch and Mark Ellis grew up in the carwash business. Branch, a former president of the International Carwash Association (ICA), took over the Speedy Wash chain in Panama City, FL, for his father, Jimmy Branch. Ellis is the son of Ernest Ellis, the original founder of Southland Wash in Grand Rapids, MI.

Ellis and Branch began as full-service tunnel operations, just as their fathers before them. They employed a lot of labor at 50 cents an hour, and washed a lot of cars (500 on a busy day). They each ran a good business, getting top dollar for their services at \$1.25 per car. They offered just one package: wash, steam clean and hand dry.

Today, these operators have streamlined their operations to express exterior. Branch sells his basic exterior wash for \$3, while Ellis (in the middle of the competitive Michigan market) charges \$5. Each operator has a four-package platform, and Ellis continues to operate some full-serve locations with packages set at \$13, \$17 and \$21.

Back then

Times have changed, technology has changed, and the professional carwash industry has evolved. These reflections are focused on the changes seen by these second-generation operators, who grew up in our industry as full-service tunnel operators and are now learning to adapt the express exterior model to their newest locations.

Their facilities do not account for the evolution seen in the self-serve and in-bay automatic sectors. Those industries have also seen tremendous change, some of which has been incorporated into the express exterior model (hello, auto cashiers!), and some of which is unique to those segments.

When Ellis and Branch started in this industry, the wash process was vastly different from the way we do it today. The cars were pulled through the tunnel with logging chains (hooked & unhooked), chemicals were applied (kerosene-based), and people were in the pits running steamers to clean wheels. Washing by hand with mitts and drying by hand with towels was the norm. Water was pretty much free and provided by the city or through a private well. Discharge wasn't even a consideration; it just ran off of the property.

The conveyORIZED carwashing industry has seen an accelerated growth over the past fifteen years and the expectations of the public have evolved. The factors of competitive growth and increased customer expectations require veteran operations such as Speedy and Southland to change with the times. And in Southland's case, competition forced this wash chain to change way ahead of the curve (back in 1983) in order to maintain a successful business model.

In today's time, the operating components of a carwash have evolved into business tools designed to enhance the profitable operation of the carwash, focusing on these basic management principles:

- Plan;
- Organize; and
- Control.

Automated tellers

The single greatest variable cost addressed by both operations was labor. The newer technology sites of Speedy and Southland incorporate the express platform and utilize a combination of equipment and technology to minimize labor.

Physical presence of an employee is critical to the operation of the carwash, but can be minimized through technology and equipment like automated tellers. These systems maximize throughput with minimized labor, allowing marketing of multiple wash packages with multiple payment options. Both washes use automated tellers and accept cash, credit, pre-paid club cards and scan capabilities. The customers make their own purchase decisions, but an attendant is always available for help.

Ellis has taken the automated entry system a step further at Southland. In September 2006, he did a major overhaul of one location and began using RFID (radio frequency identification) tags from DRB Systems' Sitewatch. These tags can identify and track customers, and also automate the

transactions down to about a three-second time period at the auto cashiers.

A Southland customer who uses RFID now only has to drive up to the automated teller to be recognized by the machine. The gate opens and “through the wash they go,” Ellis said. The increase in speed and processing time is a powerful incentive to use the wash.

Ellis uses the RFID system at two locations, each are high-volume exteriors with three auto-tellers (XPT's). He uses the RFID capability in all six lanes, rather than just a single “fast pass” lane that some operators use. Of the 6,000 customers that were members of the wash's Clean Car Club (a frequency discount program), about 1,500 of them have RFID tags.

Currently, Ellis is working on details for more unlimited wash plans which can fire automatically with RFID tags and limit the transaction time to under three seconds.

Equipment

Both washes also use state-of-the-art equipment to reduce the amount of labor needed to produce a clean car. The wash equipment executes the wash process without the need for human intervention. Gone are the days of labor at the beginning of the process to pre-wash or prep, and labor at the exit to finish anything that was missed.

Modern equipment also helps reduce the amount of time it takes to clean a car. Today, Branch's conveyors are set at 100 cars/hour, which translates to about a three minute ride for customers. Ellis estimates about a four minutes wash process, because at 180-feet, his Michigan tunnels are a bit longer than Branch's Florida ones.

And yes, both operators offer free vacuums. “It's essential in a competitive market,” Branch said. Ellis has been offering free vacuums at his exterior locations since 1983.

Chemistry and chemical application

Gone are the days of kerosene-based cleaning chemistry. The cleaning compounds used in operations today represent technology driven products that must provide the ability to uncouple soils and oils on multiple surfaces composed of various materials (clear coat, metals, plastics, glass and rubber). The products used today are formulated compounds that use technology as a base. Chemical delivery systems are precise metering devices that are designed to provide dilution ratios of 240:1 and upward.

In today's ultra-competitive carwash market, chemistry costs are analyzed on a cost-per-car basis to allow maximum wash quality at minimum costs. In the case of Speedy Wash, bulk stored chemistry is blended onsite with cost-per-car consumption constantly calculated through the use of transducers that transmit this information back to a central operations management program. This information is then available on the site computer or on Branch's home personal computer.

Southland Wash operates a similar platform with chemistry blended onsite through state-of-the-art dispensing equipment.

Water

Water quality and cost is critical to the wash process. The days have come and gone where water was a “free” commodity. And also gone are the days of just discharging water to the ground. In the United States, with the advent of the 1972 Clean Water Act, recognition of air and water quality resulted in the formation of the Environmental Protection Agency (EPA). Water costs have spiraled upwards, as supplies diminish. The cost to dispose used water has also skyrocketed, and sewer costs have become a material cost in processing a vehicle.

As experienced operators, both Ellis and Branch have adopted water management platforms to account for the water used in their facilities. Both operators reuse all water at least a second time prior to exiting the facility. The facilities are operating at a reuse factor of at least 80 percent of the wash process. Water treatment equipment utilizes technology that minimizes consumption and maximizes reuse.

Energy management

Another expense item that is being addressed through technology innovations is the management of energy costs. Automated controller equipment accomplished productivity improvements through process control to activate functions only when required.

The next item being integrated into many operations (especially the more-automated express exterior carwashes) is the extensive use of variable frequency drives (VFD's) to control all or most of the electric motors used in a carwash. VFD's allow control of electric motors to the point electrical energy is regulated to require the motors to generate enough horsepower to meet the demands of the wash facility.

The Southland and Speedy facilities extensively use VFD's to control the frequency (RPM's of motor) for most electric motors in each carwash. Electrical consumption is used only as necessary for motors driving pumps or impellers in their facilities.

Costs per car

Branch estimates he spends about 20-50 cents per car on electricity, depending on the site, and about 10-20 cents per car on water and sewer costs. His labor is streamlined to 40-50 cents per car, while his chemicals average about 20-25 cents per car.

“When you go from one full-serve conveyor and 40 employees to three exterior conveyors and only nine employees, you have the time and flexibility to run a tighter ship,” Branch said.

Ellis' operations in ultra-competitive Michigan are a tad bit more. He estimates his utilities run about \$1 per car, while labor is nearly \$1 per car.

Express exterior in today's industry

So how did Branch and Ellis come to jump on the express exterior bandwagon? For Branch, the answer came from some newbies to the industry.

“I had two pioneering operators graciously show me their profit and loss statements. I didn't need any other convincing,” he said. Branch then gradually

priced his full-service out of his customer's disposable cash pocket.

"It wasn't my greed, it was increased competition, higher wages, mixed with the increasing time demands of detailing all those SUV's," Branch said. Nowadays, it doesn't take Branch any longer to detail a 23-foot long SUV than it does a small passenger car. And instead of losing money on rainy days, Branch is making a little because of the low price point and low labor costs.

Ellis had a different perspective. His region has had their share of exterior locations for a long time, and he opened his first express exterior location (complete with free vacuums) way ahead of the curve — back in 1983.

"What's different today is simply that we're continuing to evolve the technology," Ellis said. "Our third location we re-habbed in 1995 was named "Southland Express" and I think the "express" description has evolved, but the washing methods, style and technology have been evolved by operators for many years."

Bob Koo is president of Aqua Chem Inc. He has been in the water treatment industry for 14 years. He can be reached at: bobkoo@aquachem.biz or by phone at: 863-644-5055.

Opinion spotlight

Two seasoned carwashers weigh in on the possible negative effects of the express exterior phenomenon.

by Andy Pazz and Chuck Sasse

For the benefit of all carwash operators, and those looking at the industry as a possible business opportunity, we would like to clear up some misconceptions concerning the express exterior concept. Having been in the carwash industry for almost 40 years, we believe you can understand the future opportunities better if you have an understanding of the past.

In the late 60's, and early 70's, when this concept was first introduced, it was called exterior-only washing, and the word express exterior was seldom used or even became popular until the last three-four years.

Also, ideas such as a low \$3 base price for the wash, free vacuums, and gated entry systems have potential drawbacks that can seriously affect the bottom line profits of the carwash operator. It is for this reason we felt the need to offer some history and insight into this important wash concept.

What happened?

In the late 60's and early 70's, Hanna Car Wash and Sherman Supersonic had both been experimenting with the exterior-only wash concept as a viable alternative to the high labor, full-service carwash. With the exterior concept there were no employees vacuuming or detailing at the exit end, and not only

was the operator able to eliminate many employee's, but also increase the volume of cars that could be washed on any given day. This concept was then presented to the oil companies as a method to increase their gasoline sales. By giving away a free carwash with a minimum eight-gallon purchase, the oil companies launched the first major exterior wash concept on a national scale.

Hanna and Sherman, along with the oil companies became the major pioneers of a totally new approach to washing vehicles. In early 1969, this revolutionary marketing approach was launched nationwide, and the rest is history.

Prelude to exterior washing

If it were not for wrap-around brushes, the exterior concept would never have succeeded. The story of the invention goes something like this: Both Dan Hanna and Sherman Larson invented and applied for a patent on the wrap around brush at the same time, but neither knew who had applied first. In order to make sure that they both could use the concept, they cross-licensed each other.

This invention also helped promote the exterior wash concept by eliminating the need for employee-vacuuming, hand washing and detailing at the exit end. It also reduced manpower in full-service washes, by using wrap a round brushes which replaced four to six employees.

With those two wrap around brushes, operators could wash the front, sides and rear of the vehicle automatically, and important groundwork was laid for the coming of the exterior carwash. For people desiring a quick wash at a low price and one where they could vacuum their vehicle at coin-op vacuums, it was an exiting new approach to carwashing.

We wish to emphasize that the express concept is not entirely new; it has been around in various forms since the late-60s. The reason it expanded so fast was two-fold: full-service carwashes required anywhere from 20-40 attendants per shift, and also Dan Hanna was pushing the exterior concept.

Dan owned approximately eight full-service washes at the time when he began to experiment with building exterior washes. He realized that if coin-op vacuums were available for the customer to use and the price of a wash was far less than a full-service wash, he could increase speed and volume while reducing needed employees to only two/three per shift.

The glory days

My career began when Chuck Sasse, the national account manager of Hanna, sent me (Andy Pazz) to Houston, TX as the regional national accounts manager for Hanna. This was in 1969 and was the time when the oil companies were purchasing large quantities of carwash systems, and also the time period when the driving public was first exposed and became true believers in the exterior wash concept.

Initially the oil company executives did not understand the exterior concept, but they did understand gasoline volume. They began looking at any marketing idea that could increase gasoline sales.

This was an exciting time to be involved in the industry, and we were perceived as the experts. Our customers were willing and able to purchase carwash equipment for any given location provided the site analysis and

market study justified the capital investment.

I remember one incident in 1970, when Hanna Industries received a purchase order for eighteen carwashes from Gulf Oil Company (\$1.8M) and this was only one of many such purchases from oil companies, and other major national accounts. For most equipment manufacturers, the exterior express concept translated into incredible sales for both tunnel and in-bay automatic equipment.

Pricing & services

Where the exterior-only wash succeeded, however, is sometimes where the current express exterior platform fails. Where did this idea of a \$3 wash and free vacuums come from?

We need someone to show us who the customers are that frequent a specific carwash because free vacuums are available. We don't believe the customer is coming to a specific wash because he/she can vacuum for free; they are coming because you are giving them full value for their money, a clean, dry car, with a personal touch.

Here in the Portland-metro area there are approximately 135 exterior tunnel carwashes and there are few, if any, that offer free vacuums.

And finally, it is our opinion, that the benefits of having well-dressed, well-groomed, quality personnel greeting the customer, taking the money and functioning as a human being rather than the coldness of a machine, far outweigh the benefits of a gated system.

Andy Pazz is the owner of Laguna Ltd. and has written a book on how to build a successful Exterior Tunnel Carwash.

Chuck Sasse is presently the director of investor & tunnel carwashes for D-S Car Wash in Lynnwood, WA. He has been involved in the wash industry for 40 years, and was vice president for both Hanna Car Wash, and Q Lube Corporation, in their car and truck wash divisions.

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