Creating a carwash business plan

A step-by-step model for writing an effective plan.

Summary: In the October 1999 issue of Professional Carwashing & Detailing the article, "Developing a carwash business model" outlined a five-step process for developing a business model for a full-service carwash.

The purpose of the modeling process was to develop a start-up plan to test the feasibility of a business concept. This process can be used to develop a formal business plan suitable for presenting to lenders and investors. This article outlines a sample business plan for a first-time owner/operator building a new full-service carwash.

By Robert Roman

Why do you need a business plan?

Unlike the modeling process mentioned above, which deals primarily with research, analysis and evaluation, business plans are based on actual and projected values and are designed to convince a specific audience (bankers, private investors, franchisers, etc.) that investing in your business makes sense.

A business plan follows a simple outline (see “Business plan outline” in the sidebar).

Here’s a step-by-step guide to creating one for your carwash concept.

1. Executive summary

1.1 Mission statement

Develop a mission statement that clearly defines the services your company will be dedicated to providing. Cover your core business and any peripheral or complementary services and products.

1.2 Objectives

Clearly state your company’s main objectives. This could include the amount of funding required for the project, how much commercial property is included in the purchase, what will be built and the operating profit that will be shown at each milestone.

1.3 Keys to success

Describe the keys to your company’s success. These must be clearly supported by elements within the plan.
For example, does the management team bring strong carwash experience to the project, does the proposed location have excellent demographics and traffic characteristics, are the projection statements conservative and realistic and what competitive advantages will your company gain from the industrialization of services (level of technology)?

2. Company summary

Describe your company’s business structure (sole proprietor, partnership or corporation). Include the facility’s street address, city, state and zip code.

Describe the physical dimensions of the land and buildings, and the main features of each building. Include a copy of your site plan in the appendix.

Provide a table that summarizes the major start-up cost centers. Include:

- property
- buildings
- site plan
- construction
- utilities
- equipment
- inventory
- professional fees
- impact fees
- closing costs
- operating capital
- miscellaneous expenses.

3. Services and products

Describe each service and retail merchandise category you intend to offer. Provide a list of your vendors and the terms of payment.

Describe any services or products you plan to research and develop in the future.

4. Marketing summary

Identifying the appropriate target market is critical to the success of any business and is often the most difficult planning area for small business owners. Develop this part of the business plan in conjunction with a professional marketing consultant.

4.1 Consumer profile

Determine the characteristics and needs of carwash consumers and determine a consumer group profile. This can be accomplished by using the results of the International Carwash Association’s “Study of Consumer Car Washing Attitudes and Habits” (for information go to www.carwash.org).

4.2 Segmentation

Decide which consumer segment(s) have the greatest potential for patronizing your carwash. This requires you to consider your company’s objectives and strengths in relation to the level of competition and the size of the local market.

Here’s a segmentation example:
Benefit sought — Desires quality, convenience and a good price

Demographic traits — College-educated, white-collar with higher income levels ($40K+)

Lifestyle traits — Family oriented; places premium on leisure time

Level of consumption — Usually washes several times per month

Demographic information to consider includes: age, gender, occupation, income, education, marital status, number of vehicles, type of housing and location.

4.3 Positioning statement
Include a map indicating the number, type and location of each competitor within a 5 to 8 mile radius of your site. Describe each competitor in terms of their strengths and weaknesses. Identify the attributes of your competitors’ and select a position for your company that exploits your competitors’ weaknesses.

4.4 Marketing strategy
A marketing strategy identifies and describes the services you’ll sell, how you’ll sell them, at what price and how you’ll promote them.

Unlike a tangible good, marketing a nonessential service such as full-service carwashing requires a strategy focusing on performance attributes including technical competence, interpersonal skills and client relationships. Marketing programs must create an image that emphasizes convenience of location, personalized service, flexible prices, fast service and long operating hours. Use segmentation to determine the final service mix and how competitive to set your prices.

4.5 Sales forecast
Monthly wash volume and sales will be the greatest indicator of success for this type of service business. Unfortunately, this is an area often difficult for small business owners to accurately project. “Pie-in-the-sky” sales projections (i.e.; forecast based solely on national average capture rate) are a sure way to get your plan rejected.

Regardless of the methodologies you use, the trend in sales must account for seasonal variations that should be expected for your site’s geographical location. (See also “Revenue projection methods” in the sidebar.)

5. Implementation

5.1 Production and operations
Describe the production and operations management processes you will use to wash and detail vehicles. Include the queuing system, automated wash process, maintenance and
equipment repair program, health and safety program, technical and customer service training program, waste disposal, water treatment, etc.

Describe any special features such as state-of-the-art equipment, chemicals or automated processes that will optimize productivity and quality and minimize operating costs. In the appendix, include a copy of the material safety data sheet for each chemical you will use.

Provide a table that includes engineering estimates of expected operating costs expressed in dollars per month for three consecutive years. Some of the costs will include: chemicals, utilities, labor, mortgage, maintenance, advertising, property insurance, telephone, attorney fees, vehicle damage, merchant service, office expenses, sludge removal, accountant fees, equipment repair and workman’s comp.

5.1 Promotion
State how you will reach your customer base and how the marketing and promotional effort will be sustained during the first three years of operation. This includes a complete description of each component, its source and associated cost. See “Marketing programs” in the sidebar.

5.3 Distribution
Outline your company’s hours of operation and sales commission structure. Include copies of press releases, coupons, flyers and media advertisements in the appendix.

5.4 Prices
Create a table that lists your services by category and include the price for each service. Include a copy of your actual service menu in the appendix.

6. Management summary
In this section describe how the business will actually be run, who will do the work and how much they will be paid. State the principal investors and describe the type of relationship they will have with management. Include the names of each manager and describe their individual roles and responsibilities. Describe the management style that will be practiced.

Describe who will be responsible for administrative, human resource and accounting functions. Provide a table that summarizes planned annual labor costs by department. In the appendix include an organizational chart, manager resumes and job descriptions for each staff position.

7. Financial summary
The financial summary includes an analysis of financial statements and a ratio analysis. The income or profit and loss statement, balance sheet, statement of retained earnings and the statement of changes in financial position provide lenders and investors with important information to evaluate the company’s expected financial condition. Ratio
analysis provides a relative measure to assess the company’s expected financial performance.

Provide financial statements and ratios, determined in conjunction with your accountant, for at least three consecutive years.

7.1 Break-even analysis
Break-even analysis (BEA) is used to determine the level of operations (sales in dollars and/or units) necessary to cover operating costs and to evaluate profitability with various levels of sales.

BEA (units) = total fixed costs/(price - variable costs per unit)

BEA (dollars) = total fixed costs/[1-(variable costs per unit/price)]

7.2 Income statement (profit and loss)
Include a table of projected profit and losses (P&L) for three consecutive years:

Calculate your “Total sales” by adding sales from your carwash, detail shop, lobby store and any other profit centers you will have. Then calculate your “Total cost of sales” by adding your expenses such as chemicals, utilities and inventory. Subtract the “Total cost of sales” from “Total sales” to arrive at your “Gross margin.”

The next step is to arrive at your “Operating expenses” by adding advertising, payroll, payroll burden, leases, maintenance, repairs, vehicle damage, pit sludge removal, rent/mortgage, property tax, insurance, professional fees, merchant service, license fees, office expenses, depreciation and other miscellaneous expenses.

To find your “Profit before interest and taxes” subtract your “Operating expenses” from the “Gross margin.” Next list your “Interest expense” and “Taxes incurred.”

To calculate your “Net profit”: Profit before interest and taxes – (Interest expense + Taxes incurred)

Finally, find your “Net profit/sales” by dividing “Net profit” by “Total sales.”

7.3 Projected cash flow
Chart your projected cash flow:

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit</td>
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<tr>
<td>Plus</td>
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<td>Depreciation</td>
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<tr>
<td>Change in accounts payable</td>
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<tr>
<td>Change borrowing (repayment)</td>
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<tr>
<td>Increase (decrease) other liabilities</td>
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<tr>
<td>Long-term borrowing (repayment)</td>
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<tr>
<td>Subtotal</td>
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</tbody>
</table>
Less
Change in inventory
Change in other short-term assets
Capital expenditures
Dividends
Subtotal
Net Cash Flow
Cash Balance

7.4 **Projected balance sheet**
Chart your projected balance:

<table>
<thead>
<tr>
<th>Starting Balance</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
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<tbody>
<tr>
<td>Assets</td>
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<tr>
<td>Short-term assets</td>
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<tr>
<td>Cash</td>
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<tr>
<td>Inventory</td>
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<tr>
<td>Total Short-term assets</td>
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<tr>
<td>Long-term assets</td>
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<tr>
<td>Liabilities and capital</td>
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<tr>
<td>Accounts payable</td>
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<tr>
<td>Short-term notes</td>
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<tr>
<td>Other short-term liabilities</td>
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<tr>
<td>Subtotal short-term liabilities</td>
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<tr>
<td>Long-term liabilities</td>
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<tr>
<td>Total liabilities</td>
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<tr>
<td>Paid in capital</td>
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<tr>
<td>Retained Earnings</td>
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<tr>
<td>Earnings</td>
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<td></td>
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<tr>
<td>Total capital</td>
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<tr>
<td>Total liabilities and capital</td>
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<td></td>
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<tr>
<td>Net worth (total assets - total liabilities and capital)</td>
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</tbody>
</table>

7.5 **Retained earnings**
The statement of retained earnings reconciles the net income earned during the year and cash dividends paid with the change in retained earnings between the start and the end of the given year.
7.6 Financial position
The statement of change in financial position provides a summary of the funds flow (relationship between the sources and uses of cash) over the period of concern.

7.7 Business ratios
Ongoing businesses develop ratios from audited financial statements. However, ratios for a proposed business must be based on start-up projection statements. As such, a great deal of care must be exercised to determine reasonable and believable estimates. For a start-up business, the interpretation of ratios should be based on comparisons with industry averages and real world examples.

Robert Roman is a carwash operator and frequent contributor to Professional Carwashing & Detailing magazine. The author thanks Harvey Miller, Car Wash/Oil Lube Consultants; George Akers, George Akers Consulting; and Alan Bussey, Car Wash Loans, for their assistance with this article.

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