



Car Wash

BUSINESS PLAN

THE DIRT BUSTER

11535 Cornish Blvd.

Detroit, MI 46778

March 15, 1993

The Dirt Buster was designed by entrepreneurs wishing to provide a high quality car wash service in a virtually untapped market. Because new construction is necessary, a large amount of initial capital is required for this venture .

- EXECUTIVE SUMMARY
- MARKET/MARKETING
- BACKGROUND AND PURPOSE
- MARKET ANALYSIS
- POSITION
- FINANCIAL DATA
- ORGANIZATION AND MANAGEMENT
- MISCELLANEOUS ISSUES
- OWNERSHIP
- CRITICAL RISKS AND PROBLEMS: DESCRIPTION
- SUMMARY OF UNIQUE FEATURES AND BENEFITS
- OVERALL STRATEGIC DIRECTION
- AVAILABLE MATERIALS

EXECUTIVE SUMMARY

Description of Business

Nature of Service

The Dirt Buster is to be a full-service car wash facility comprised of the following features: a one hundred-twenty foot, fully automatic tunnel; four high pressure wand self-service bays; and six vacuum stations complete with fragrance and carpet shampoo dispensing machines. In an effort to optimize our position as premium car care specialists, we will offer our customers the opportunity to purchase quality car care products in our reception area. The full service operation will offer three basic wash packages: a \$7.50 Basic wash, a \$9.50 Deluxe wash and a \$12.50 Super wash.

All full-service wash packages will include an interior cleaning service, which consists of carpet vacuuming, window and dash cleaning, and a preservation treatment. Our coin-operated, self-service bays will cost \$1.50 per 4.5 minute cycle. Additionally, all customers will have access to vacuum islands which will cost \$.50 per

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4.5 minute cycle. Fragrance and shampoo dispensing machines will also be offered, and will range in price from \$1.00 to \$2.50 per cycle.

Unique Features of Service

The property on which The Dirt Buster is to be located was the site of a car wash approximately ten years ago. For reasons external to the business itself, the owners decided to terminate operations. The existing tunnel structure is ideally suited to house our tunnel operation. The original tunnel's one hundred-twenty foot length, versus today's standard ninety foot tunnel length, provides a significant service advantage over other car washes in the area. Very simply, the longer the tunnel, the more wash and drip space is available and the better an automobile is cleaned and dried during each cycle. Unfortunately, most car wash operators know it is possible to provide reasonably good service utilizing just ninety feet of tunnel space. This reduces the initial construction costs by approximately 25 percent (based on a tunnel structure of 90' × 25' versus 120' × 25' at construction costs of \$100/sq.ft.). The bottom line is that most car wash operators sacrifice service to minimize costs. The Dirt Buster's unique position of not having to sacrifice service to lower costs will allow us to provide superior service at a competitive price.

Our market area is characterized by wide ethnic and economic diversity. To capitalize on these demographic factors and concentrate on the unique demands each group asks of the market, our facility will incorporate both a full-service tunnel operation (for those who wish to allow our service team to clean their car) and a self-service facility (for those who wish to take a more active role in their car's maintenance). This type of car wash operation will be one of only three such facilities in the area. Additionally, we plan to provide an automatic dryer for each self-service bay, which will increase customer satisfaction by eliminating the need to hand dry an automobile after washing. Automatic dryers are a new and effective market innovation which currently exist in only one other car wash operation in our region.

Objectives

After in-depth analysis of our specific market area, national statistics on the car wash industry, and detailed evaluation of nine car wash operations in the area, we expect to generate sales revenues of \$667,508 in the first year of operation. We believe our initial customer base will substantially increase as the community becomes aware of our existence, our reputation for excellent service, and our active involvement in community affairs. We then expect our growth to mirror the community's projected market growth, which is approximately 3.5 percent to 5 percent per year. Because there are no other car wash operations within a four mile radius of our site location, we feel confident our predicted growth will, at a minimum, follow industry trends. Therefore, we expect to have a 100 percent market share of our target market for at least the short term.

Strategic Direction

Stage of Business

A start-up business designed to fill a service void which was created ten years ago after the last full-service tunnel wash facility in this market area terminated its operations. Again, the last full-service tunnel terminated its operations for reasons external to the business itself.

Long Range Direction

We are dedicated to establishing and maintaining the finest car wash operation in the area, specifically known for the quality of service provided and the management's commitment to the betterment of the community.



MARKET/MARKETING

Market Segment Sought

We are extremely fortunate our service is not limited to a specific segment or group of the market. In fact, The Dirt Buster's sole limiting factor is the small segment of its specific market which is without an automobile. In our market area alone, there are approximately 400,000 automobiles, or .8 automobiles per person.

Benefits of Service to the Market Segment

We will provide the only full service facility within our market area. Additionally, our water reclamation system will provide an environmentally safe means for our customers to clean their automobiles. This differs from residential car washing, where untreated wash water fills storm drains and ultimately empties into our waterways.

Summary of Advertising and Pricing Policies

Our Basic, full-service tunnel wash will cost \$7.50. It will entail a full exterior vehicle wash, as well as an interior service to include vacuuming, window cleaning, and dashboard cleaning. Our Deluxe Wash will cost \$9.50 and will include all the Basic Wash services as well as an undercarriage wash, a rust inhibitor, and a wheel brightener. The Super Wash will cost \$12.50 and will include all Deluxe Wash services as well as a polishing wax and a wax sealant.

We have investigated all available advertising mediums. After in-depth consultations with a myriad of car wash operators in the area, we have decided to utilize the advantages of a variety of mediums. Initially, we will utilize cable television and radio spots, in conjunction with newspaper advertisements, to announce our Grand Opening. We will also use direct mail coupons to increase consumer awareness of our existence. Additionally, we will work cross promotions with businesses in the area as a means to tap the client base they have established. Already, several existing businesses have expressed a desire to do so.

Sales Projections

We expect to wash 63,700 cars in the full-service operation and 29,440 cars in the self-service operation during The Dirt Buster's first year of business.

Management

Backgrounds

The principal owners will be the full-time managers. Both individuals have served in the United States Army as commissioned officers since graduation from college 12 and 10 years ago, respectively. They have vast experience in the management of finances, personnel, and equipment. While in the Army, both individuals successfully completed two years of company command, which closely parallels the running of a small business; it requires the managing of all associated personnel, budgetary, and operational situations. In addition, one manager is currently working as the assistant manager for a local car wash. This experience has provided invaluable insight into the operational aspects of managing and maintaining a car wash.

Responsibilities

One manager will focus on daily operations, including employee hiring, building maintenance, property maintenance, and equipment maintenance. The other manager will focus on marketing, advertising, and community relations, as well as all fiscal matters, including employee pay and benefits, taxes, payables, and



receivables. Other members of the management team will provide support to the owners with regard to their specific areas of expertise.

Financial Features

	Year 1	Year 2	Year 3
Revenues	\$667,508	\$746,518	\$885,771
Net Income	\$163,144	\$180,405	\$208,765
Assets	\$789,389	\$872,906	\$1,010,126
Liabilities	\$581,644	\$480,288	\$378,932
Net Worth	\$207,745	\$392,618	\$631,194

Projections:

	Year 1	Year 2	Year 3
Revenues	\$667,508	\$746,518	\$885,771
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Capital Needed

The capital needed to underwrite this proposal will be utilized to renovate the existing tunnel structure, construct four self service bays and one equipment room, and institute site improvements, including landscaping, asphalt repair, night light installation, and installing signs. Additionally, the capital would be used to purchase both full-service and self-service equipment, a water reclamation system, administrative equipment and supplies, the chemical inventory, and to provide operating capital to maintain the operation through its first four months.

Financial Arrangements/Exit

Expected Annual Return for Investor

Given an investment of \$683,000, an investor could expect a total return of 20%. This is calculated by dividing net profit by total investment, where net profit does not make a provision for taxes, and includes expense depreciation.

Number of Investors/Minimum Investment

One investor is preferable. However, we have made a conscience decision not to limit the number of investors that may invest in order to retain financial flexibility. Ideally, we would prefer that no investment be less than \$50,000, which would purchase a 4 percent equity position. It is our desire that all equity partners be limited partners.

How Investors will Get their Money

Each investor who purchases an equity position will receive their equity share of the net profit at the close of each business year. It is our intention to repurchase all equity stock within seven years, offering a balloon payment.

	Amount Needed	Current Amount
Debt	\$400,000	\$0
Equity	\$200,000	\$0
Bond	\$83,000	\$0



Summary of Financing

	Amount Needed	Current Amount
Debt	\$400,000	\$0
Equity	\$200,000	\$0
Bond	\$83,000	\$0

Our objective is to obtain the financing necessary to bring our concept to fruition. The aforementioned financing package merely outlines one possible financing option. We understand there are a myriad of ways to structure financing, and we welcome the opportunity to explore additional alternatives.

BACKGROUND AND PURPOSE

History

The Dirt Buster concept was born from the frustration we experienced when trying to find a car wash in the vicinity of our homes. Our frustration lead us to investigate the possibility of building a car wash facility. Twenty months of exhaustive research revealed three facts that propelled us forward in our pursuit to build a car wash. First, there is an enormous demand for a car wash in the area. Second, there are no car wash competitors in the area. Third, we were able to negotiate a lease for property ideally suited for a car wash; the traffic count, a key element in predicting a car wash's success, is twice the national average.

Current Conditions

Description of Products/Services

The Dirt Buster is designed to be a complete car care facility. The operation is comprised of two complementary systems: a full-service system for those customers who wish to allow our service team to clean their car and a self-service facility for those who wish to take a more active role in their car's maintenance. Both systems will be outfitted with the most technologically advanced equipment available, thereby providing our customers with the best service possible. The Dirt Buster's unique operational concept of combining a full-service tunnel operation with a self-service operation provides our customers with service flexibility unmatched by any other car wash facility within a twenty mile radius. Additionally, within our market area, which is determined by the industry to be a 3.5 mile radius from our site location, we have absolutely no competition.

Unique Aspects of our Strategy

We plan to market our car wash utilizing four primary mediums: Discount coupon mailings to selected ZIP Codes, radio and cable television spots, and cross promotions with local area merchants which will allow us to tap into their firmly established customer bases. Additionally, we will approach apartment and condominium management offices, asking them to include promotional coupons in their monthly newsletters.

Overall Objectives

Objectives

To develop a highly successful, profitable car wash business which provides our community with a much needed service.



Long-Range Goal

To clear The Dirt Buster of accrued debt and develop it into a \$1,000,000 per year operation that is respected as a hallmark of successful customer service.

Specific Objectives

Revenues/Sales

Our first year's objective is to realize a gross profit of \$667,508 based upon an expected service volume of 113,748 vehicles. The full-service tunnel operation will account for 85 percent of revenue on 56 percent of the sales. The self-service operation will account for approximately 12 percent of the revenue on 26 percent of the sales. The vacuum operation will account for approximately 3 percent of the revenue on 18 percent of the sales.

Profitability

Based on one year's revenue of \$667,508 and one year's fixed, variable, and depreciation expenses of \$504,364, we expect a net profit, before income taxes and interest payment, of \$163,144. This computes to a 24 percent return on a \$683,000 investment.

Market Standing

There are no car wash facilities within our target market area, which is defined as a 3.5 mile radius from the location. The closest car wash facility to our proposed location is 4.5 miles away. Therefore, we have no direct competition within our target market area.

Product/Service Quality

Providing our customers the very best possible service is our primary objective. We will achieve this by equipping our full- and self-service facilities with the finest equipment available, supporting our superior technological foundation with the region's best service to cost price package, and by insisting upon a highly trained and motivated service staff.

Management Development

Our objective is to cultivate our managers from within the organization. This practice is essential to ensuring that our business philosophy and management style remain consistent. Additionally, by adhering to this objective, we possess a means in which to reward employees who continually perform in an outstanding manner.

Social Responsibility

Our objective is to become an active and solid member of the business community in Hampton County. Additionally, we believe that we should provide an employment opportunity for members of our community.

MARKET ANALYSIS

Overall Market

Nationally, the car wash industry experienced a downturn in sales volume and an upturn in gross profit per car washed in 1990 and 1991. Specifically, between 1990 and 1991, sales volume declined 3.1 percent and gross profit per car increased by 7.9 percent. Thus, on the average, car washes experienced a small increase in gross



profit. Industry experts blame the sluggish economy and unusual national weather patterns for the decrease in sales volume and predict volume will rebound to pre-1990 levels as the economy improves.

Specific Market

Location

The location is the most important aspect in predicting a car wash's success. Ideally, a car wash should be situated on a thoroughfare which possesses a heavy volume of traffic, often referred to as "traffic count." The wash location should have readily accessible ingress and egress routes. The target market's population should be at least 30,000 people. A majority of the target market should reside in apartments, townhouses, and/or condominiums.

Our location is easily accessible from two major roads. The population within a three mile radius of our location is 206,909. According to the 1990 survey, our target market is expected to grow at a rate of approximately 3.5 percent per year. Industry studies state a car wash will capture .06 percent to 1.5 percent of the daily traffic which passes its location; thus, the higher the traffic count the better the business's chance of success. Industry studies also reveal the average car wash location's daily traffic count is 24,000 cars. According to the 1990 survey, the daily traffic count in front of the proposed location is 50,000. This translates to between 300 and 750 cars washed per day. It is projected the traffic count in front of the proposed location will grow at an approximate rate of 5 percent per year. This projection bodes exceptionally well for The Dirt Buster.

Trends

A recent demographic study predicts a slow, but steady, increase in our target area's population over the next 10 years. Additionally, this study predicts the number of cars registered in our target area will also show a slow, but steady, increase over the next ten years.

Characteristics

Our target market is the most densely populated area in the city and is comprised of a diverse mixture of ethnic and economic groups. This diverse economic and ethnic make-up supports our view that there is a strong demand in our market area for a complete car wash facility that possesses both full-service and self-service facilities. Industry surveys reveal that young people between the ages of 18-25 (11% of the target market), blue collar workers of all ages, and those with little disposable income will patronize a self-service facility. Individuals over 25 (72% of the target market), white collar workers, and those with disposal incomes will patronize full-service facilities.

Buying Habits of Customers

In talking with hundreds of people in our target area over the past eighteen months, we have determined there is an enormous need for a car wash facility in this area. Currently, there is not a car wash facility within a 4.5 mile radius of the proposed location, and our proposal has received enormous support from both civic and government groups in our target market.

Companies in Specific Target Market

There are no car wash facilities within our target market area, which is defined as a 3.5 mile radius from the location. The closest car wash facility is 4.5 miles away. However, there are a number of car wash facilities located in the suburbs, most of which we have made contact with during our investigation into the industry, but who are not competitors due to their distance from our site.



It is virtually impossible to ascertain the industry's sales in the Hampton County and Monroe County areas, as there is no regional association which binds the individual businesses together and maintains such figures. The only way to obtain an active car wash's figures is to ask individual owners. Because this business is a cash business, many operators would not share their revenue figures with us. However, we were fortunate enough to obtain the actual annual financial operating figures from four car wash operations. We were given these figures in confidence and asked not to repeat them. We did, however, use these figures as a gauge to measure the validity of the calculations presented in our pro-forma financial statements. We believe our revenue calculations are extremely conservative, and our expense calculations are as accurately portrayed as possible.

Competitive Factors

Assessment of Leading Competitors

Overview

In our target market area we have no direct competition. There are cases where car wash owners have built their business in an area which put them into direct competition with another car wash operation. Business logic dictates that unnecessary competition benefits neither operation.

Current Business Focus

The Dirt Buster's focus in this service-dependent business is to provide the highest quality service, at the fairest price, to the largest percentage of the target market population as possible. This will foster a repeat customer base.

Annual Revenues

In a cash business, such as a car wash, it is difficult to obtain accurate annual revenue figures for the industry as a whole, and especially for individual operations. However, a number of the car wash owners in the city shared their general revenue figures with us and four car wash operations we studied in depth gave us detailed monthly and yearly revenue and expense break-outs.

Of the four car wash operations we studied extensively, three are just one-year old and the fourth is thirty-years-old. Two of the operations are exterior wash conveyor system washes, one is a self-service wash, and one of the operations is a full-service conveyor system wash. Additionally, one operation combines an exterior wash conveyor system with a five bay self-service facility. We point out these operational and facility configurations because different operation and configuration arrangements drastically affect revenues. For example, revenue produced by an exterior wash conveyor system will be substantially less than a full-service wash facility, given operations with similar traffic count and population figures. Similarly, car washes which combine conveyor wash operations with a self-service operation will, under normal circumstances, produce more revenue than either the full-service conveyor wash operation or the self-service wash facility by themselves. Therefore, the optimum configuration for revenue maximization is a facility which incorporates both a self-service wash facility and a full-service conveyor wash facility. This is The Dirt Buster's operational concept.

Each car wash facility we studied produced a profit, including the two newer facilities. The full-service facility's annual revenues total \$432,000. The self-service facility's annual revenues total \$121,000. The exterior wash facility with the self-service facility's annual revenues total \$522,000 and the exterior wash facility, which is thirty-years-old and possesses the best demographic figures of the washes we studied, generates \$687,486 in annual revenues.



Market Share

Two of the four operations studied possessed a 100 percent market share of their target markets. The other two share their markets equally. However, there is no doubt the close proximity, one mile, of the two washes has adversely affected their profit margins.

Profitability

All four car wash operations are profitable. However, as could be expected, the oldest car wash enjoys the most lucrative profit picture as it no longer experiences debt retirement concerns. Equipment purchase, construction of building and land, and debt retirement, based upon the averages given, is expected to be approximately 20 percent of gross profit. Fixed and variable expenses, on the average, are approximately 60 percent of gross profit.

Other Factors

In careful examination of the car industry as a whole, the most important factor in an operation's profitability is location. Those that possess superior location produce sound financial pictures 99 percent of the time. Additionally, not enough can be said about a strong clientele base which, because of good service, continues coming back again and again. The chosen location of The Dirt Buster is indeed superior, and our excellent service will guarantee the development of a strong clientele base.

Advantage Over Competitors

Price

To arrive at our price listing for each car wash package, we carefully examined fifteen car wash facilities in the state. We analyzed each facility's wash packages and then compared the price of the package to its service contents to make a qualitative determination on the quality of service provided versus the cost of the service. Unfortunately, what we discovered was that, in most cases, the service provided did not warrant the higher price charged to the customer. The customer was not receiving any significant increase in the service received. Therefore, we carefully constructed our wash packages to ensure that our customers received the best possible service for the price charged.

Performance

Our research repeatedly indicated that the wash's performance is directly proportional to the type and make of equipment used. Therefore, in keeping with our business objective of providing the highest quality service possible, we've decided to purchase the most technologically advanced conveyor and self-service equipment available. This technologically advanced equipment will provide us with a qualitative edge over all the car wash facilities within a 20 mile radius of our location.

Advantages of Competitors Over Us

We believe there are only two temporary advantages a competitor could have over The Dirt Buster.

Customer base We will need time to firmly establish a sturdy customer base.

Business experience We lack daily experience in the industry, which our competitors have garnered over time. However, we believe our work at two separate car wash facilities over the last seven months greatly reduces this initial experience advantage.



Description and Assessment of Potential Competitors

We do not believe it likely we will face any competition in the near future. Quite simply, there are only a few pieces of property available which are zoned for and large enough to support a car washing operation in our target market area. The few available are also extremely expensive. Additionally, the majority of the available property we examined during our location search are much too diminutive to host a conveyor system. Thus, any potential competition would be limited to a self-service-only facility which cannot generate sufficient income throughout the business year to render it a profitable venture.

Other Market Features

Impact of the following:

Economic Factors

While the sluggish economy of the last few years has had a slightly negative impact on the car wash industry as a whole, more than half of the car wash owners surveyed by the International Car Wash Association Survey in 1990 and 1991 experienced an increase in levels of profitability. While not completely recession proof, the industry has retained a very strong financial picture through difficult economic times created by the prevailing economic downturn, even managing to increase revenues by 10 percent in each of the last three years.

Governmental Influences

The governmental influence on our business is not extensive. One government mandated facility-design feature is the installation of a water reclamation system. This design feature is one that we would have added to the facility even if not mandated by the county. It greatly reduces our fresh water consumption, which in turn reduces our water bill. In the future, governmental efforts to purify the area's bodies of water may result in legislation eliminating the release of soap, oil, waxes and other contaminants into storm drains by people washing their cars at home. Obviously, legislation of this kind would only enhance our business position.

Social/Demographic Factors

These factors are critical when selecting a car wash location and determining the type of facility to build. Obviously, the larger the population base in the market area, the better the chance of the business succeeding. Industry surveys indicate that the average car wash operation shares a population base in its target market of 118,000 people with four other competitors. We are in the unique position of having a 100 percent market share of the 206,909 people who make up our target market. Research in the industry reveals specific types of car wash facilities appeal to different social groups. Eighteen to twenty-five year olds, regardless of ethnic group, blue collar workers, and minority groups tend to make the most use of self-service facilities. Twenty-six to sixty-five year olds, white collar workers, and mothers with children utilize conveyor facilities. Therefore, the makeup of a target area influences the design of the car wash facility. Our target area is a diverse mix of ethnic and social groups. We feel it is the most advantageous to build a facility which would cater to all groups in our target market. This is our rationale for developing an operation incorporating both a self-service facility and a conveyor facility.

Seasonal Fluctuations

Seasonal fluctuations, as defined by changes in the weather, directly impact a car wash's business volume. Contrary to logic, the winter months are the peak months for full-service volume, while the self-service volume remains constant throughout the year, with a slight decrease occurring in the November to February time frame. It is not uncommon for a car wash to generate enough sales volume from November through February to underwrite its expenses and debt load throughout the remainder of the year.



MARKETING

Marketing Philosophy

Our marketing philosophy is to present our company as an independent, service oriented small business, which is genuinely concerned with providing high-quality service at a reasonable price.

Marketing Strategy

Environmental Opportunities

An issue of great concern in the area is water pollution. Efforts are being coordinated state-wide to stop the dumping of untreated sewage into the Bay. Car washing, in an uncontrolled environment, such as at one's home, directly contributes to the pollution of the bay by allowing soap, waxes, dirt, oil, and grime to flow untreated into the neighborhood storm sewer systems which in turn flows directly into area waterways. The Dirt Buster will utilize only biodegradable chemicals which will be cycled through the purification component of our water reclamation system prior to being released into the county sewer system. Once in the county's system, the water will be sent to the sewage facility for recycling and purification. Additionally, 30 percent less water is required to clean an automobile at a commercial car wash than at an individual's home. This helps conserve a precious, and often scarce, natural resource.

Company Strengths

One obvious strength of our company is market share. Since no competition exists in our target market, we will possess a 100 percent market share the day we open for business. Another strength is the management team. Both owners possess vast experience in budgetary, equipment, events, and personnel management. Finally, the superior quality of our equipment, in terms of efficiency and effectiveness, allows us to provide a superior quality service to our customer at a cost below that of the regional average.

Overall Marketing Strategy

Our marketing strategy is two-fold. First, we must develop a loyal customer base on which to build our business. Second, we must cultivate and expand this customer base to ensure a long lasting and solid relationship with our repeat customers and continued vitality of the business with the addition of new customers.

Image We Want to Portray

The entire foundation of our business rests on our pledge to provide quality service at a reasonable price. We will portray our business in such a manner. Additionally, we are genuinely interested in the positive development and quality of our market area's business community.

Pricing Strategy

List Prices

After careful analysis of this region's car wash operator's pricing practices, we crafted a pricing strategy that we believe more closely aligns service with price. Our system incorporates a three tier pricing scheme. In accordance with our pricing strategy, our Basic Wash will cost \$7.50, our Advanced Wash will cost \$9.50, and our Deluxe Wash package will cost \$12.50. Additionally, we will provide customers the option to build their own wash package from a list of individual service options offered. These options will range in price from



\$1.00 to \$3.00. We plan to charge \$1.50 per 4.5 minute cycle in our self-service facility, and \$.50 per 4.5 minute cycle for the vacuum service, which is in line with the prices that are currently being charged by the majority of the region's self-service facility operators.

Profit Margins

Calculating profit margin based upon the projected year-end financial figures is relatively clear cut and yields a profit margin of 40 percent. This percentage was determined by calculating the percentage of gross revenue that both expenses and debt retirement figures yielded, and subtracting that figure from 100 percent. $[100\% - (\text{percentage of gross revenue expense} + \text{debt retirement}) = \text{profit margin}]$. For example, based upon industry averages, our variable expenses represent 45 percent of our gross revenue, while fixed expenses represent 20 percent of our gross revenue and debt retirement represents 15 percent of our gross revenue. These figures added together and then subtracted from 100 percent leaves a figure of 20 percent, which represents the overall businesses profit margin. Individually, our full-service package yields a profit margin of 8 percent, our Advanced Wash package yields a profit margin of 34 percent, our Deluxe Wash package yields a profit margin of 45 percent, our self-service wash yields a profit margin of 67 percent, and our vacuum service yields a profit margin of 87 percent.

Discount Prices

As part of our marketing strategy, we will at various times offer discounts on selected wash packages. Discounts will vary from a \$1 to \$3 reduction of the standard price.

Competitors' Prices

Although we do not have any competitors in our target market to use as a guide for establishing our pricing system, we did evaluate several pricing schemes to assist us in developing one appropriate for The Dirt Buster.

Advertising/Promotion

During eighteen months of research and hundreds of conversations with owners of regional car wash operations, two points became very apparent. First, older, established car washes do little to no advertising. Second, new, upstart car washes advertise extensively in an attempt to establish themselves in the community. We found no middle ground in the industry with respect to advertising, and most car wash owners who do advertise believe their best results have come from utilizing direct ZIP Code mailings, local cable TV spots, and cross-promotions done in conjunction with other local businesses.

During our first month of business, we plan to conduct a drawing to giveaway a big screen TV and two plane tickets to the Bahamas. The drawing will take place over the first month we are open for business. To enter, a customer will fill out an entry card with name, address, and make and year of car. The entry form will then be deposited into a central repository until the official drawing on the last day of our first month of operation. Customers need not be present to win; we will notify the winners by mail. The drawing will enable us to build a customer mailing list, to be used in future direct mailing promotions, from the entry cards, and gain initial exposure by bringing customers into the wash.

We plan on advertising our Grand Opening in all advertising mediums, including radio, television, news print, and direct ZIP Code mailings. During our first year of business, we will be actively involved in developing customer awareness of our business through extensive use of the radio, television, promotional giveaways, and direct mailings. We plan to dedicate 7 percent of our monthly gross revenues to advertising and promotions. At the end of each quarter, we will assess the effectiveness of our advertising campaign and make any adjustments necessary to provide us with the most positive community exposure.

Additionally, adjacent to our car wash facility is a 13,000 square foot building. Our plans are to lease the building to a business which operates within our industry, thereby allowing us maximum flexibility in



developing cross-promotional plans. Tentative arrangements have been made to lease the property as a detailing shop when The Dirt Buster opens for business.

To build a solid repeat customer base, we will offer bonus services. On a customer's first visit we will provide them with a book to keep track of visits. On a customer's ninth visit to the car wash, he or she will receive a free basic wash. To build return customer traffic, we will also randomly hang scented discount wash coupons on each customer's rearview mirror which are redeemable on the customer's next visit to the car wash. Additionally, as a means to assess adherence to our primary goal of providing exceptional service, we will provide each customer with a postage paid comment card.

Cost of Advertising

Regional Cable TV Advertisements

It will cost \$1,260 per month to purchase seven daily ads, four before 4 p.m. and three after 4 p.m., 7 days per week on CNN, ESPN, and TNT.

Radio

It will cost approximately \$1,500 a week for twenty radio spots per radio station. This medium will only be used for the initial advertising campaign as a means to obtain mass market exposure. Cost would not justify extended use.

Direct Mailing

Direct mail will cost \$350 per 10,000 pieces sent. It is the most effective means to reach specific target market patrons, as it offers the most bang for the buck.

Cross-Promotion

The cost of cross-promotion is minimal, and it will allow us to tap into an established customer base.

Initial Giveaways

One big screen TV will cost \$1,000. Two plane tickets to the Bahamas will cost \$500.

Comment Cards

Comment cards will be computer generated at minimal cost.

Fragrance Discount Coupons

The coupons will be computer generated and the scent applied by the car wash. Again, there will be only a minimal cost.

FINANCIAL DATA

Current Financial Position

In developing our projected financial statements, projected revenues and expenses were calculated, both fixed and variable, by using statistical reference data provided by the industry's national association, the International Car Wash Association (ICA). We coupled the information received from ICA with regionally specific data provided by regional car wash operators and government agencies. In constructing our financial pro forma



statements in this manner, we hope to portray as accurately as possible the revenues and expenses we can expect to see. Any errors should be to the high side of expenses and to the low side of revenues; all projections are extremely conservative.

For example, to calculate our projected revenue, we used the industry's capture ratio of the percent of traffic count in any given 24 hour period which a business could expect to utilize its facilities. We then multiplied that figure by the cost of our projected revenue per car, \$9. The ICA states that a car wash owner can expect to capture .6 of 1% to 1.5 of 1% of the traffic count on the road on which the car wash is situated. According to government officials, the traffic count passing in front of our site is 55,823 cars a day. Armed with the statistical data needed to project the revenue figures, we examined various car wash operations in the county to gain an appreciation for the validity of the capture ratio. Our investigation showed that, in this region, the capture ratio was an accurate gauge on which to project the business a car wash operation can expect based upon its location.

The car wash industry is cyclical in nature, with the highest point of revenue occurring during the winter months and the low revenue point occurring during the summer months. Our revenue projections reflect that trend. Conservatively, over the course of the first business year, we predicted that, on the average, we will capture .39% of the 50,000 cars that travel pass our location daily. Keep in mind, our projected capture ratio is .21% less than the industry's worst case capture ratio.

To calculate fixed and variable expenses, we used ICA's national statistical information as a guide and spoke with local car wash operators in order to achieve actual monthly expense figures. We then compared these sources of information and developed our own expense analysis ratios. Our fixed expense figures are based upon actual figures gathered from local operators and our variable expenses are based upon a combination of industrial statistical averages and local operator figures. The only expense not strictly in keeping with both national and local operator figures is our advertising expense. We have decided that it is extremely important for us to make our target market realize our presence from day one, so we decided to budget 7.5% of our gross revenue to advertising versus the 4.5% of gross revenue recommended by the ICA.

Start-up Cost

We calculated our total start-up costs to be \$683,000. This figure includes \$135,000 for operating capital and a contingency fund.

Profit and Loss Statement

Our pro forma profit and loss statement projects the first year's operating profit to be \$163,144.

Cash Flow Analysis

Our pro forma statement of cash projects a positive cash flow starting in month one. At the end of the first year of business, we project a closing cash balance of \$281,989.

Balance Sheet

Our pro forma balance sheet projects our net worth to be \$207,745 at the conclusion of the first year of operations.

Cost Control

All fiscal control and accountability will rest with the management, who will be responsible for insuring that daily receipts are properly accounted for, properly documented, and deposited with a financial institution. In conjunction with the CPA, management will prepare the monthly, quarterly, and yearly financial statements.



Break-even Analysis

Break-even Estimates:

Units

Our break-even figure in automobiles washed in the full-service operation is 47,154 and, in the self-service operation, including vacuum figures, it is 36,516. These figures represent a 26 percent reduction in automobile wash volume.

Dollars

The total gross revenue generated with respect to the break-even analysis is \$493,470, with \$424,386 coming from the full-service operation, and \$69,084 coming from the self-service operation, including vacuum figures.

Financial Ratios

Liquidity

Current Ratio

Current assets and current liabilities are 281,899 to 101,356, respectively. This is a 2.78 to 1 ratio.

Implications of Liquidity Ratios

Liquidity ratios provide insight into a business's ability to meet all financial obligations incurred during the course of the business year. Normally, financial ratios are used as analytical tools to compare one business to another within a specific industry. Because the ICA has not established any industry ratios, there are none available to compare to the ratios generated in this business plan. However, according to most business analysts, a good target ratio for most upstart businesses is 2 to 1. Therefore, our liquidity ratio of 2.78 to 1 further supports our financial analysis, which suggests The Dirt Buster will meet all liabilities incurred during our first year of operation.

Profitability/Implications

Our gross profit margin is defined as our gross profit divided by our total assets, where gross profit does not include taxes, interest, or the reintroduction of depreciation. Our figures show a margin of 21 percent ($163,144/789,389=21\%$).

For our purposes, return on equity and return on investment are defined without figuring depreciation or taxes into the net profit. Our return on equity, using the formula net profit/total owner's equity, works out to 14 percent ($96,336/683,000=14\%$). Our return on investment, or net profit/total assets, works out to 12 percent ($96,336/789,389=12\%$).

Profitability ratios provide insight into a business's ability to make money. As previously stated, financial ratios are used as analytical tools to compare one business to another within a specific industry. Because the car wash industry has not established any industry ratios, there are none available to compare to the ratios generated in this business plan. The examination of our profitability ratios supports our financial analysis which suggests The Dirt Buster will experience a profit at the conclusion of the first year of operations.



Financial Projections

Assumptions

We assumed that the interest rate applied to the purchase of our assets would be 10 percent. Additionally, we assumed the useful life of the service equipment and office equipment to be ten years and that of the building and grounds to be fifteen years.

Financial Statement Highlights

The financial figures presented in our pro forma statements are extremely encouraging in that a monthly positive cash flow is predicted. This in turn leads to an expected positive net income and an increase in owner's equity at the year's end.

It is important to note that during the preparation of our financial statements, we endeavored to be conservative in our revenue calculations and liberal in our expense calculations. This approach was intentionally adopted to ensure we maintained a cautious, if not slightly pessimistic, approach to the evaluation of The Dirt Buster's liability.

ORGANIZATION AND MANAGEMENT

Key Personnel

Executive Team

The executive team consists of the company's two owners, one of which will be located on-site during each normal business day to oversee operations. The managers will divide the duties necessary to maintain the business, which include employee hiring; building, property and equipment maintenance; marketing; advertising; community relations; fiscal matters; employee pay and benefits; taxes; payables; and receivables. Military experience has provided both owners with a vast reservoir of knowledge in the management of personnel, equipment, events, and budgets. While in the military, both were schooled and promoted ahead of their contemporaries and assigned the Army's most challenging jobs. To enhance their professional knowledge of the car wash industry, as well as to gain a greater appreciation for the intricacies of owning and operating a car wash, both are currently working for different car washes in the tri-state area.

Compensation

Each owner/manager will receive a salary of \$2,500 permonth. In the event a net profit is accrued at the conclusion of the fiscal year, it will be equally divided amongst the owners.

Key Managers Needed

Initially, the company will be run solely by its owners. However, during the second year an assistant manager may be hired to assist with the day to day operations and maintenance. Our goal is to develop management from within the company, thereby insuring that positive management policies and practices are continued. Additionally, our policy of hiring from within provides us a means to recognize outstanding work performance and to develop a cohesive management team critical to The Dirt Buster's success.



Other Personnel

Employees Hired

Proposed

We plan to hire eleven full-time and seven part-time employees. Sixteen of the employees will constitute our operational personnel, while the other two employees will constitute our sales staff. The sales staff will be responsible for operation of the cash register and the accessory sales area.

Skilled Versus Unskilled

No special skills are required of our operations personnel. Sales staff must possess basic mathematical skills, be able to operate a cash register, and diplomatically interact with the general public.

Compensation

Our operational employees will receive a beginning salary of \$5.00 per hour and will be offered an opportunity to increase their hourly pay in \$.50 increments. Our sales employees will receive \$5.50 per hour initially, with the same opportunity for the incremental \$.50 per hour raise. All raises in base salary are dependent upon performance and the company's financial success. Additionally, the employees will, at the conclusion of each business day, receive their fair share of the collected tips.

Staffing/Training

Staff size is dependent upon time of day, day of the week, and weather conditions. During traditional peak wash periods, twelve operational employees and one sales employee will be scheduled to work. During traditional off-peak times we will schedule eight operational employees and one sales employee. We will remain flexible in our staffing policy in order to best meet customer demands and most efficiently utilize our employees. Our employee handbook will ensure that each employee understands the importance and applicability of a varied and flexible scheduling process. Our plan is to ensure that each employee receives the training necessary to be proficient in their assigned tasks. Our training program will focus on improving the employees' operational knowledge of the business as well as their interpersonal skills. The program is designed to ensure that our employee-customer interactions are as positive as possible.

MISCELLANEOUS ISSUES

The Dirt Buster's employees will be given the opportunity to participate in a health insurance program.

OWNERSHIP

Financing/Equity Considerations

Financial Features

4,001 shares of common stock have been issued. The total value of shares of common stock is \$4,001. Presently, 100 percent of the common stock is controlled by two people, who therefore control the operational direction of the business. However, limited partners will be considered in exchange for financing.



Financing Arrangement

Collateral for Debt Issuance

All equipment will be used as collateral for debt issuances, as well as the lease to the site location. If we are unable to meet our business obligations, the lending institution controlling assets and the land lease could sell the lease to another business group. They would assume operational control of what would, in essence, be a turnkey operation.

Amount of Equity to be Relinquished in Exchange for Funding

We would consider an equity-limited partner in exchange for financing. The amount of equity to be exchanged for financing would be negotiated on an individual basis.

Expected Annual Return for Investor

The expected annual return for an investor depends on the type of investment arranged. Expected annual return for debt financing is approximately 15 percent. The expected annual return for equity financing is approximately 18 percent.

Number of Investors Sought

We have not set a limit on the number of investors we will accept. However, for accounting purposes, a minimal number of investors is the most appealing option.

Minimum Investment Required by Each Investor

Again, we will not set a bottom limit on the size of investments. However, our preference is a \$50,000 or greater investment.

How Investors Will Get Their Money Out of the Investment

Each investor will receive a yearly return on their investment based upon the investment contract negotiated. It is the intention of the original partners to buy back all outstanding shares of stock within seven years.

CRITICAL RISKS AND PROBLEMS: DESCRIPTION

Sales Projections Not Attained

Based upon the extremely conservative figures used throughout our financial calculations, it is possible, although improbable, that we will not meet our projected sales goals. To demonstrate this point, we used the bottom end of the capture ratio the industry experts say a business ought to achieve, and reduced that figure by two full percentage points. We then used that number to calculate the project revenue we can expect to generate during our first year of business.

Unforeseen Industry Trends

Presently, the car wash industry is not expected to undergo drastic changes. Future industrial efforts are focused upon improving the quality of existing methods and machinery.

Competitive Price Cutting

Because we have no direct competition, we are semi-insulated from price cutting schemes. However, we



realize we do not operate in a vacuum, and pricing schemes offered by area car wash operators do impact us. In light of this, we've developed our pricing scheme by examining eighteen separate car washes in the tri-state area. We then highlighted the best qualities of each package and built our own unique pricing scale, which we believe fairly balances quality and price.

Unforeseen Economic, Political, Social, and Technological Developments

Two critical environmental issues which concern everyone are the cleanliness and conservation of our finite water resources. Unlike waste water generated from residential car washing, which is discharged directly into storm sewers carrying contaminants directly into our local water ways, the wash water generated at The Dirt Buster will be recycled through a reclamation system. This will cleanse the water prior to its being discharged into the community water sewage treatment plant for further purification. Additionally, the chemicals used by the washing process are specifically engineered to be completely biodegradable and environmentally safe. It is also important to note that residential car washing, on the average, uses 200 gallons of water per wash. Self-service car wash customers use approximately 50 gallons per wash, resulting in a 75 percent water savings in comparison to residential automobile washing. Full-service car wash customers use approximately 84 gallons per wash, resulting in a 58 percent water savings in comparison to residential automobile washing.

Cyclical Fluctuations

The car wash industry does experience cyclical fluctuations in business volume. Peak months correspond to winter months and off-peak months correspond to summer months. It is during these known off-peak months that car wash owners carefully manipulate and orchestrate operations to insure peak efficiency is achieved. Also, during the off-peak period variable expenses decrease by approximately 40 percent of gross expenses as they are directly tied to business volume.

Other Risks

Perhaps the most critical risk we face is that of the establishment of a competitive wash in our target market. While it seems unlikely this will happen due to the cost of obtaining the land necessary to build a car wash facility, it is possible. One very real way we foresee competition presenting itself is in the form of an adjunct wash built onto an existing full-service gas station. While these adjunct washes will not compare to our facility in service or quality, they are less expensive and at times more convenient.

SUMMARY OF UNIQUE FEATURES AND BENEFITS

An extremely important feature of our business is its location. Without the proper location, the chances of succeeding are drastically reduced, although not impossible. It is interesting to note that, for the last five years, a regional car wash corporation with eight locations in the tri-state area has actively pursued the property owner to sell so they could establish a car wash on it. For personal reasons, the land owner refused to sell. Such a successful company would not have so vigorously pursued the site if they did not feel the land had enormous potential. We share their enthusiasm.

Our operation will incorporate the newest and most technologically advanced wash equipment in the industry. This will enable us to provide our customers with the best possible service at the best possible price. It will also allow us to ensure that the environmental concerns of the community are respected and acted upon. Additionally, we believe the strongest point in our business is our management team. Both owners possess vast knowledge, gained from operational, budgetary, and personnel experience, from which to direct the business and provide for outstanding customer service.



OVERALL STRATEGIC DIRECTION

We are determined to establish a business known for its high quality service at a reasonable price. We see ourselves playing an important part in community activities. We will provide employment opportunities for area residents, as well as a much needed service to the community which protects and conserves our finite water resources.

AVAILABLE MATERIALS

The following materials are available upon request:

- International Car Wash Association Industry Survey
- Traffic Volume Survey
- Market Survey
- Capture Ratio Calculations
- Break Even Analysis
- Organizational Structure and Concept
- Funding Timeline
- Start-up Costs
- Income Statement
- Cash Projections
- Balance Sheet
- Owner's Financial Statements
- Owner's Resumes